Saving On Income Tax

Yoga Guru On Stress Relief

Outlook MONEY

SUBSCRIBER COPY NOT FOR RESALE

OCTOBER 2020, ₹50

OUTLOOKMONEY.COM

SPEND OR SAVE?

A GUIDE TO BE A SMART SPENDER, SAVER AND INVESTOR

With festivals and wedding season round the corner, it will soon be raining discounts. But how much to splurge? Experts are advising more savings and investments

★ Interview: **Mutual Funds** ★ **Inflation** ★ Job **Market** ★ **Planning** Inheritance

VISIT…

LIC HFL
LIC HOUSING FINANCE LTD
Building homes. Nurturing relationships.

Rate of Interest
6.90%
onwards

Make your life grander POST RETIREMENT

Griha Varishtha

Exclusive home loan scheme for salaried and pensioners

Maximum tenure upto **80 years** of age or **30 years** whichever is earlier

Joint application with children also permissible to avail higher loan

Apply now
using LIC HFL HomY App

*T&C Apply

HOMY
Feel at home

Scan QR Code to download app now

Download on the App Store | GET IT ON Google Play

For information log on to www.lichousing.com
or contact nearest area office.

Outlook MONEY

Contents

OCBOBER 2020 ■ VOLUME 19 ■ ISSUE 10

pg 14

TO SPLURGE
OR SAVE
AND INVEST
Dealing with festivals amid pandemic and reduced incomes. Fall for the lure of discounts? Or, optimise savings and investments?

Regulars

4 Talk Back 8 Queries 10 News Roll 62 My Plan

Columns

Neha Pathak, Bhavesh Sanghvi, Aarti Raote, Dr. R Balasubramaniam, Joydeep Sen, Avinash Gorakshakar, Kshitij Jain and Swami Mukundananda

24 Job Market
With economic uncertainty, there is more demand for freelancing jobs than regular one

30 The Inflation Challenge
What's next in inflation caused by supply side disruptions during the pandemic

38 Mutual Fund Row
Implications Sebi's order on multi-cap funds for investors as AMCs buy more small and medium cap stocks

40 How To Save More Tax
It is time for salaried employees to plan carefully and optimise tax outgo

42 Lure Of Foreign Markets
More Indian investors are looking at stock opportunities in US and other foreign markets

50 Insure With A Two-In-One Plan
Joint term plan provides financial cover for two lives in one policy

56 Planning Inheritance
It is important to prepare elaborate wills and family trusts to avoid future problems concerning wealth

58 Employee Stock Options
Need to examine risks and tax implications of ESOPs as more companies offer it in lies for unpaid salaries

66 Overcome Stress In Uncertain Times
A yoga Guru shows how to achieve a state of deep relaxation

Cover Design: PRAVEEN KUMAR .G

HEAD OFFICE AB-10, S.J. Enclave, New Delhi 110 029; Tel: (011) 71280400, Fax: (011) 26191420 **OTHER OFFICE** Mumbai: (022) 50990990
Printed and published by Vinayak Aggarwal on behalf of Outlook Publishing (India) Pvt. Ltd. Editor: Saibal Dasgupta.
Printed at Kalajyothi Process Pvt. Ltd. Sy.No.185, Sai Pruthvi Enclave, Kondapur – 500 084, R.R.Dist. Telangana and published from AB-10 Safdarjung Enclave, New Delhi 110029
For Subscription queries, please call: 011-71280462, 71280400 or email: yourhelpline@outlookmoney.com
Published for the month of October 2020; Release on 1 October 2020. Total no. of pages 68

Outlook Money does not accept responsibility for any investment decision taken by readers on the basis of information provided herein.
The objective is to keep readers better informed and help them decide for themselves.

Must We Worry About Fall In Jewellery Price?

Interview

Jewelry Buyers Need Not Fear Price Fall In Future

Prithviraj Kothari, Managing Director of Khaitan Sukkhi Jhalloos Limited (KSJL), a leading Indian bullion conglomerate, expressed his views at length on a few questions posed by Yagnesh Kansara

Why are Gold and Silver prices on rise, both internationally and domestically?

History is repeating itself. Gold's testing new highs. Gold is the ultimate hedge against the threat of Crisis and it is proving its role as a debasement hedge.

Governments are running big deficits and central banks are printing more money. It is generating inflation which is helping to drive the bullion price higher. The Federal Reserve in the US is not likely to normalise rates or end quantitative easing or shrink its balance sheet. Inflation is likely to grow.

Many believe it is not sensible to buy at this level. Your comment?

Saying that, no gold is for eternal

most preferred strategy of global fund managers. A high 23 per cent of managers surveyed in the Bank of America Merrill Lynch Fund Manager Survey (FMS) said they were bullish on the yellow metal. Surprisingly, 32 per cent of managers surveyed said gold is both fairly valued and gold is overvalued.

Although corrections in the short-run would be totally normal, or even healthy, the medium-term trend should continue, at least for a while, i.e., until the dominant economic-narrative changes, which is not yet happening.

It is argued that Gold is a non-productive investment and generates no income in the form of interest, dividend etc. Gold prices move only when times are uncertain. Do you agree?

The real rate of interest has turned negative. India is not the only country in the world where the real rate of interest have been negative since December 2019, having in March 2020. If we deduct 5.25 per cent rate of interest on a bank fixed deposit from the CPI of 6.10 per cent, we get a real rate of interest of minus 1.68 per cent. In the wake of a negative real rate of returns from debt funds, the investor is more likely to invest in gold. Gold is also a hedge against fast-spreading inflation and depreciation in the purchasing value of any currency simply because it cannot be printed at will unlike government bonds, which can have unlimited issuances.

Gold is also a hedge against the ever-rising geo-political and geo-economic tensions globally. Gold is the key driver for gold, is down as individuals across the world are trying to make peace with the uncertain environment around. However, the same uncertainty is expected to propel the safe-haven demand for gold.

Gold will be in demand due to negative real rate of return from debt funds

Where do you see Gold & Silver prices certain in the near future? Do you advise your investors to buy more of these metals at such a high price?

In 1979, gold climbed over 27% per cent, over 1980 it rose 24 per cent and over 2007 it gained 30 per cent. But during the years, there were 11 corrections of more than 5 per cent. We saw a similar pattern of corrections in gold's bull run between 2008 and 2011. In 2008, gold corrected 13.7 per cent but corrected more than 3 per cent 17 times. Eleven of these corrections were greater than 5 per cent. Meanwhile, silver dropped more than 5 per cent 23 times during its bull run between 2008 and 2011 on its way to a 355 per cent gain.

Then for a calendar year 2020 (CY20), gold prices have moved up nearly 30 per cent (CY20) and silver by 43 per cent per year. There is long way to go. Gold is in a secular bull market and silver is in a high level. We are going to see big rallies during a bull market. We will likely see plenty more before the current gold bull runs its course. Gold may hit $2500 and Silver $50 in 3 to 6 month's period. It's important not to panic when metals sell off. We are advising clients to keep their eyes on the fundamentals. From the fundamentals perspective, the case for owning gold to go higher in the long run. The obvious reason for this is the macroeconomic backdrop remains highly supportive. Central banks around the globe have made it clear that monetary and economic growth will support fiscal policy, shrink Fed that will maintain low monetary policy and negative real interest rates.

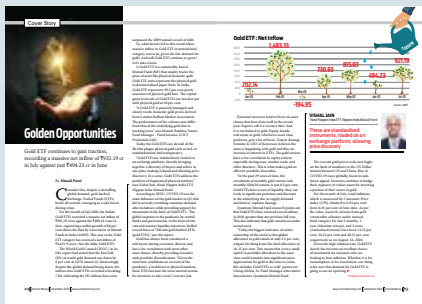
What cautions retail investors should exercise while dealing in these metals at a current price level? Also, how careful should they remain while buying/selling jewellery?

World Gold Council (WGC) recently provided gold demand trends for the second quarter of 2020. Gold demand was down 21% year over year in the first half of 2020. There was a notable decline in the demand for jewellery (off by nearly 50 per cent), which is traditionally a large source of industry demand. In other words, we are seeing a big sell-off in jewellery and the fundamental strength in the gold market. There could be some correction in prices and it might impact traders but those buying jewellery shouldn't worry.

Your comment on RBI's recent decision to increase loan to value ratio (LTV) to 90 per cent from earlier level of 75 per cent. Isn't going to gold loan companies a big boost? Will it be a practical proposition for the lender?

RBI decision to increase LTV to 90 per cent from 75 per cent is a welcome move. It is well received by Gold loan companies as there is 20 per cent growth in loan disbursal witnessed by lenders. This enhanced LTV ratio is applicable up to March 31, 2021, to enable the borrowers to tide over the liquidity crunch caused by moratorium and COVID-19. This move will provide support to people in managing their financial liabilities during the pandemic.

This is a good move as long as the gold price remains stable or rises. If the gold price falls, the loan was halted it may create a headache for lenders. If volatility continues and gold price falls sharply, then banks may ask borrowers to deposit additional gold as margin or make partial repayment to maintain the LTV ratio. Lenders may also find it difficult to sell gold in a recessionary climate and create pressure for the borrower to arrange additional margin.


Cover Story

Golden Opportunities

Gold ETF continues to gain traction, recording a massive net inflow of ₹921.19 cr in July against just ₹494.23 cr in June

By Vinod Pavi

Gold ETF : Net inflow

1,483.33
730.83
-855.05
921.19
-494.23
-332.76
-194.95

VISHAL JAIN

These are standardised instruments, traded on an exchange platform, allowing price discovery

Investment In Gold

I had a great time going through the cover stories, it was quite gripping. I had very limited knowledge on Gold ETF, hence would like to thank Outlook Money for coming up with such topics. It was interesting to know that during uncertainty, these ETFs became the most natural avenue for investors to take cover.

Ayan Banerjee, Kolkata

Is It Right Time To Buy?

Cover Story

To Buy Or Not To Buy

The dilemma the wedding planner is keen to resolve for the prime buy

By Anagha Pal

AMIT MEHRA

The situation has created confusion in the minds of the consumers on whether to buy or not

Golden Deal

- You may wish to buy gold jewellery before gold prices go up further
- If you need jewellery for an immediate need, remake or restore existing jewellery
- Take quotes from different jewellers to get the best price before selling your gold ornaments
- Stay away from cash for gold companies and only deal with legitimate jewellers
- Look for schemes like buying jewellery in instalments rather than making a one-time payment

I could relate a lot to Anjana Mitra's story as my family had to go through a similar kind of terror while making wedding arrangements. People are looking for more lighter and wearable jewellery pieces and few are also planning to remake those which they already own. The article was pretty good as it also threw light on the jewellers and how they do not want to lose out on business amid COVID blues.

Sumitra Desai, Mumbai

Letters must be addressed to: The Editor, Outlook Money, AB-10, Safdarjung Enclave, New Delhi 110029, or letters@outlookmoney.com. Please mention your full name and residential address.

Outlook MONEY

EDITOR-IN-CHIEF
Ruben Banerjee

EDITOR
Saibal Dasgupta

EQUITIES AND MARKETS EDITOR
Yagnesh Kansara

SPECIAL CORRESPONDENTS
Himali Patel
Vishav

PRINCIPAL CORRESPONDENT
Nirmala Konjengbam

SENIOR CORRESPONDENT
Dipen Pradhan

NEWS DESK
COPY EDITOR
Sudeshna Banerjee

SUB EDITOR
Indrishka Bose

WEB CORRESPONDENT
Rajat Mishra

DIGITAL TEAM
Amit Mishra

ART
CHIEF ART DIRECTOR
Deepak Sharma

SENIOR DESIGNERS
Praveen Kumar. G
Vinay Dominic
Leela

DESIGNER
Rohit Kumar Rai
Girish Chand (DTP Operator)

TECH TEAM
Raman Awasthi
Suraj Wadhwa

Business Office
CHIEF EXECUTIVE OFFICER
Indranil Roy

VICE PRESIDENT
Tushar Kanti Gosh

Circulation & Subscriptions
Gagan Kohli, Kapil Dhal (North)
G Ramesh (South)
Arun Kumar Jha (East)
Manoj Kamble (West)

Production
GENERAL MANAGER
Shashank Dixit

MANAGER
Sudha Sharma

ASSOCIATE MANAGER
Gaurav Shrivas

DEPUTY MANAGER
Ganesh Sah

Accounts
VICE PRESIDENT
Diwan Singh Bisht

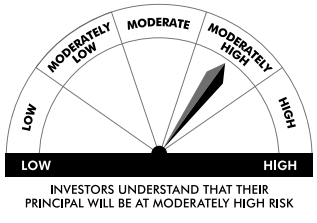
COMPANY SECRETARY & LAW OFFICER
Ankit Mangal

Give your investments the glitter it deserves.

Presenting HDFC Multi-Asset Fund.

HDFC Multi-Asset Fund invests in a diverse portfolio of equity, debt and gold related instruments. With this fund, you could not only aim to get the growth of equity and stability of debt, but also the benefits of gold to hedge against market uncertainties and inflation. So add some glitter to your portfolio and invest in HDFC Multi-Asset Fund.

To know more, contact your financial adviser or give a missed call on **73974 12345.**

This product is suitable for investors who are seeking*:	**Riskometer**
• To generate long-term capital appreciation/income • Investments in a diversified portfolio of equity and equity related instruments, debt & money market instruments and gold related instruments	 INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT MODERATELY HIGH RISK

*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.

HDFC MULTI-ASSET FUND

(An Open-ended Scheme Investing in Equity And Equity Related Instruments, Debt & Money Market Instruments And Gold Related Instruments)

HDFC MUTUAL FUND

BHAROSA APNO KA

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

A Focus On Grievance And Complaint

I am a holder of health insurance policy, and I would like to praise the team for bringing up this subject. Like mentioned, I have gone through my own set of hassles and it has been months since I have despatched the claims, but I am yet to receive any fair acknowledgement. Even though several Insurance Ombudsman claim to have received fewer complaints, I believe a lot needs to be addressed.

Mohua Mondol, Kolkata

Safe Route For Better Returns

Being a new investor, it is easy to get trapped in the complexity and contradictory advice. Such articles help investors to take the first step with a clear and strong mindset, and avoid penny stocks. It is surely necessary to stick to either trading or investment and not mix both.

Siddharth Dey, Gurgaon

USP For Retaining Clients

The column helped me a lot in terms of settling my thoughts regarding advisors. I have often criticized the MF industry based on the available data or reports, but never thought of trying to deepen my knowledge by taking the help of proper advisors. Thank you for highlighting the concept of five C's - communication, clientele, clarity, calibration with market dynamics and cognitive with technology.

Sanjeev Malhotra, Mumbai

Tremors In Bullion Market

The column was surely the most intriguing one, starting from Warren Buffet's bet on the gold market to stressful minds of the jewellers.

Sanchari Pandey, Mumbai

Is Copper The New Gold?

I thoroughly enjoyed reading this story about copper being the new gold. As mentioned in the article, the surge in copper prices is interesting because usually, copper and gold prices move in separate directions. As a layman, I had a question about whether copper is a good investment in 2020. I am glad that the article focused on major factors like the remarkable bounce-back in Chinese demand fuelled by the government's push to stimulate economic activity, especially in the copper-intensive infrastructure sector.

Neha Roy, Kolkata

Invest To Make Up For The Lost Time

The article bombarded me with a lot of realisations, especially how simply contemplating on retirement planning will only demolish more time. I would like to thank Kapil Jain for sharing his part of lessons from Manoj's successful investment journey. It might be a stormy start, but patience is the key while investing.

Arti Sharma, Delhi

Loss Aversion Behaviour Can Be A Big Hurdle

I feel this column is the need of the hour. As people are enveloped in crisis, loss aversion can be hurtful. It is praiseworthy how the author linked loss aversion with unbalanced asset allocation.

Abira Das, Kolkata

Ride Your Financial Goals

It was an effective article, asking us to see financial planning through a positive lens. The top seven secrets to financial success were excellent, especially the point on financial literacy. Time and diversification are the best friends of investors. Time allows compound interest to work its magic for investors, while diversification ensures survival across market cycles.

Saloni Mehta, Mumbai

Corrigendum

On page 32 of September issue, a wrong image of Amit Mehra, MD, Mehrasons, Yashpal Mehra Group was published. The error is regretted. We are publishing the correct photograph supplied by him.

Editor

MIRAE ASSET
Mutual Fund

Saved money through deals on shopping online?

BUT HAVE YOU SAVED ON YOUR TAXES?

Invest in

Mirae Asset Tax Saver Fund

ELSS Fund: An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit

PRODUCT LABELLING

Mirae Asset Tax Saver Fund is suitable for investors who are seeking:*

- Growth of capital over long term
- Invests predominantly in equity and equity related instruments: ELSS with a 3 year lock in period and tax benefits

*Investors should consult their financial advisers, if they are not clear about the suitability of the product.

The Fund features may undergo a change from time to time, for more details, please visit www.miraeassetmf.co.in

Follow us on:

Riskometer

Investors understand that their principal will be at Moderately High Risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

1800-2090-777 (Toll Free) Mon-Sat: 9 am - 6 pm | customercare@miraeasset.com | Contact your financial advisor for details

Review And Rebalance Portfolio To Suit Investment Goals

YAYATI, yayatigaikwad91@gmail.com

I have been investing in Mutual Funds since 2017. Due to the recent pandemic, my returns have dropped. My father, who is against the idea of sticking to monthly SIPs, has suggested me to buy a house and divert the monthly SIP amount of ₹19,000 into paying EMIs, as interest rates on home loans are all-time low. It would be great if you can suggest the best way forward.

The pandemic has brought the world economy down and all equity mutual funds are at discounted prices. It is the time when one must invest more money if available. Many of the funds have already started recovering. Stock markets go up and down as per the cycle and it is normal. Mutual funds' investments are for the long term hence two to three years are not a gestation period to change the investment. One needs to keep reviewing and rebalancing depending on the goals for which investment is done. If the goal has not been mapped, map it to your investments.

Property prices have gone down and loans are available at cheaper rates. If you are buying property as an investment then think about its pros and cons. Properties are not liquid or are partially liquid. Give a thought before you buy a property.

Hina Shah, CFPCM Luhem Financial Planner and coach

UJWAL SAPROO
ujwalsaproo@gmail.com

What factors shall I keep in mind before buying home insurance for a 20-year-old property in the metro city?

You should try to take a comprehensive householder's package policy which will cover the structure as well as the home contents. Reinstatement is the value of reconstructing the house. I would suggest you go in for reinstatement cover even in case of the contents of the house. Remember to check if the insurer settles the claim only after the house is reconstructed or makes partial payments to help you reconstruct the house. The insurer may not pay for damages in case of poor or unauthorised construction. It is safe to keep a proof of insured items.

Uma and Suhel Chander, CFPCM, Handholding Financials.

KK JHA
sujeetjhalic@yahoo.co.in

I am a retired person and have received a lump sum amount as a retirement benefit. Please suggest where to invest my retirement money based on the present market scenario.

As a retired person, you can invest the lump sum amount in various instruments, depending on your requirement. There are options like Senior Citizen Saving Schemes, Post Office Schemes, Bank Fixed Deposits, Pension Schemes, and also Hybrid mutual funds & Debt Mutual Funds with Systematic Withdrawal Plan options (monthly payout) which are more tax efficient. The information provided is not enough to suggest an exact asset allocation. I would highly recommend you to connect to a financial planner, who can guide you depending on your monthly income requirements.

Uma and Suhel Chander, CFPCM, Handholding Financials.

MANOJ SIRDESHPANDE
sirmanoj2001@gmail.com

I have been investing in SIP of ₹2,000 for the past 70 months. Shall I continue my sip in the HDFC equity fund? Please suggest the same.

Investment in mutual funds should be made depending on your financial goals and period remaining for the goal. Equity mutual fund investments should be for the long term. One needs to keep reviewing the investment periodically. If a fund has not performed compared with its peers within the fund category consistently over a long period, then, it needs a change.

Uma and Suhel Chander, CFPCM, Handholding Financials.

toluna

How is your brand doing? We can tell you faster.

We connect business and consumers to deliver real-time insights.

Toluna delivers real-time consumer insights at the speed of the on-demand economy. By combining global scale and local expertise with innovative technology and award-winning research design, we help clients explore tomorrow, now. Toluna is the parent company of Harris Interactive Europe and KuRunData. Together, we strive to push the field of market research toward a better tomorrow.

Corporate office: 9th Floor, Block - 1, Phase - 1, International Tech Park, Near Sector 59, Gurugram - 122101
T. +91 981 864 4484 or +91 124 412 6700 **E.** consumerinsights@toluna.com

Betting Culture & IPL

Digital payment firms have experienced a 50 per cent surge in demand as their usage doubled since the start of the COVID-19 crisis. With digital platforms dominating the country, a survey from LocalCircles found that a majority of Indians feel advertisements from gambling platforms an area of concern.

Recently, Google decided to pull down the Indian Premier League (IPL 2020) Umpire sponsor, Paytm app and its fantasy sports app from Google play store, a day before the start of the IPL 2020 tournament.

Prithvijit Majumdar, a resident of Chennai believes betting in IPL constantly degrades its quality and the enthusiasm with which fans have watched these matches over time.

Even though sports betting is banned in India, fantasy sports are still not illegal in many parts of India.

In a blogpost, Paytm announced the entry of 'Paytm Cricket League' on its consumer app, where users receive player stickers after each transaction, collect them and receive Paytm cash-back.

Google, showing absolute displeasure on the subject said that if an app leads the consumers to an external website and allows them to participate in paid tournaments to win cash prizes then it is a clear violation of its policies.

However, after a few hours of suspending, Google restored the listing of Paytm on its application store.

IPL has been enveloped with scandals for a couple of years now. Its association with a business experiencing exponential growth was further strengthened by Dream 11 winning bids to IPL 2020 title rights.

Dream11, a fantasy sports platform was already in the news for its scandals and was under scrutiny after the Indian cricket board's Anti-Corruption Unit (ACU) provided information to Mohali police regarding its links to the fake T20 league.

However, many IPL fans feel sports betting shouldn't be a taboo.

When asked about online betting culture, Sreyan Basu, a die-hard IPL fan states, "I don't find betting is something that should be frowned upon. It increases the popularity of the sport and the players as well. We all know how globally famous the English Premier League is, and they have a separate official betting site, which again I feel throws a spotlight on the less popular players."

It is not the first time that fingers were pointed at the Board of Control for Cricket in India's (BCCI) involvement in match-fixing. Previously, CBI's report on cricket match-fixing unveiled a dim view on BCCI's response to such malpractices.

Despite the criminal records, many fans believe Premier League betting can have its own share of merits.

Atmadhi Sarkar, an Economics student says, "It is very hard to draw a conclusion based on a criminal record. Betting can be allowed under the strict regulatory policy of the government, as betting in its illegal form can disrupt the economy with tons of black money. In that case, legal betting can help generate substantial tax revenue for the government."

With online betting growing at a speed of light involving high cash transactions, it can easily be construed that betting activities might be one of the reasons behind a surge in match-fixing. But, IPL's fan base is divided by the belief system, as some say it is degrading the quality, while others believe it is generating a good source of jest and is taking the online market by storm.

After months of uncertainty, the 13th edition of IPL was set in the United Arab Emirates (UAE). The empty Sheikh Zayed Stadium echoed songs and artificial crowd cheers from sound systems.

Three venues were decided for IPL 2020, Dubai, Abu Dhabi and Sharjah from September 19 to November 10.

Indrishka Bose

Low Interest Rates

Sanction in 5 days

No Processing Charges

A HOME WITH A HIGH FIVE!

Apply PSB 59 Online

Easy takeover - Waiver of Processing charges

Get instant Home loans at attractive terms and minimum paperwork.

Union Home

- Online loan application facility
- Interest on daily reducing balance

यूनियन बैंक ऑफ इंडिया Union Bank of India

भारत सरकार का उपक्रम A Government of India Undertaking

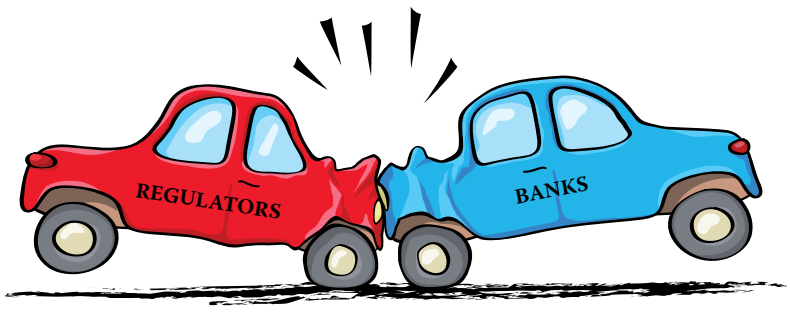
आन्ध्रा Andhra कार्पोरेशन Corporation

Helpline Nos.: 1800 208 2244 / 1800 425 1515 / 1800 425 3555 | www.unionbankofindia.co.in

@unionbankofindia @UnionBankTweets UnionBankInsta YouTube UnionBankofIndiaUtube @unionbankofindia

*Conditions apply

US Accuses 44 Banks of Suspicious Transactions



As many as 44 Indian banks and several companies have been accused of involving in suspicious transactions leading to terror financing and money laundering. These transactions were part of $2 trillion suspicious transfers in the Financial Crimes Enforcement Network (FinCEN) of the US government list of over 2,500 documents. Most of the files were sent by banks to the US authorities between 2000 and 2017.

Many transactions had not been flagged by Indian authorities. In fact there is not much an Indian regulator can do because all dollar transactions pass through the US authorities. Adani group's Singapore based arm Adani Global PTE got involved in this fiasco, being allegedly involved in suspicious transactions worth $6.24 billion with shell like companies in Seychelles between 2005-2014. Bhushan Steel's transactions are flagged by foreign banks to FinCEN. The total transactions between 2012-2015 stand at $4.39 million. According to the reports, it resorted to nested money transfers involving Meridian Trade Bank in Latvia.

In addition, 44 Indian banks, both public and private, have made it to the Suspicious Activity Report for 2000 with transactions worth $1 billion between 2011 and 2017. Till now, the International Consortium of Investigative Journalists has tracked 18,153 suspicious transactions worth $35 billion. Amongst all banks, Indian banks have received $482,181,226 from outside the country and transferred $406,278,962 from the country.

The top five receiver banks include Indian Overseas Bank with 23 transactions, Allahabad Bank with 26 transactions, Bank of India with 35 transactions, State Bank of India with 29 transactions, and Canara Bank with 37 transactions. On the other hand, the top five senders' list includes HDFC Bank with 14 transactions, Deutsche Bank AG with 18 transactions, IndusInd Bank with 57 transactions, Standard Chartered Bank with 1 transaction and State Bank of India with 29 transactions. And the amount of transactions for each bank is quite astounding. HDFC Bank had transferred an amount worth $327,999,890 through 11 transactions between September 2012, and February 15, 2013. SBI has transferred $5791055 to DNB ASA in 9 transactions from January, 2012 to October 2012.

Punjab National Bank, Union Bank Of India, Axis Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, Canara Bank, Bank Of Baroda, Indian Bank, Vijaya Bank, and many more are said to be involved in suspicious transactions.

Rajat Mishra

38 Bank Frauds Fled The Country In 4 years

According to a recent announcement by the government, thirty-eight names, which were filed under bank fraud cases and investigated by Central Bureau of Investigation, had fled the country in four years, between January 1, 2015, and December 31, 2019.

The Enforcement Directorate has also informed the Minister of State that applications for Red Corner Notice against 20 people, under the Prevention of Money Laundering Act, 2002 have been filed with Interpol. Extradition requests have been sent for 14 people to various countries, while applications under the Fugitive Economic Offenders Act, 2018 have been filed against 11 people.

Red Corner Notice has been issued for individuals sought for prosecution. They are issued by the Interpol on request of the National Central Bureau and other authorised agencies.

As per the data available, the list of fugitives includes Vijay Mallya, promoter inoperative Kingfisher Airlines, who fled the country after defrauding a consortium of banks of ₹9,000 crore. Names of Nirav Modi, Mehul Choksi, Sunny Kalra and Vinay Mittal have already been extradited.

Several policy measures are taken by the government to arrest the business individuals fraudulently obtaining loans and fleeing the country.

"The government has advised Public Sector Banks (PSBs) to obtain a certified copy of the passport of the promoters/directors and other authorised signatories of the companies availing loan facilities of more than ₹50 crore. Heads of PSBs have been empowered to issue requests of look-out circulars," said Minister of State for Finance Anurag Singh Thakur.

Indrishka Bose

कपड़े के निर्यात में
फैशन के शहरों में
अपनी उपस्थिति **दर्ज** करें।
Make your **mark**
in the fashion capitals
with garment exports.

जिन देशों के निर्यात बाजारों में आपकी पहुँच ना हो, वैसे देशों में अपने व्यवसाय का विस्तार करके **कपड़े के निर्यात** की सामर्थ्य हासिल करें।

ईसीजीसी के साथ ऋण जोखिम का बीमा करें।

Tap the potential of **Garment exports** by expanding your foot print to untapped export markets.
Insure against credit risk with ECGC.

अधिक जानकारी के लिए ईसीजीसी के निकटतम कार्यालय से संपर्क करें।
For more information contact your nearest ECGC office.

ADVT. NO. : NMD/211/214

Insurance is the subject matter of solicitation.
IRDA Regn.No.124
CIN No. U74999MH1957GO1010918

ईसीजीसी लि.
(पूर्व में भारतीय निर्यात ऋण गारंटी निगम लिमिटेड)
(भारत सरकार का उद्यम)
पंजीकृत कार्यालयः एक्सप्रेस टावर्स, 10वीं मंजिल, नरीमन पाईन्ट,
मुंबई–400 021, भारत. टेलीः 6659 0500 / 6659 0510,
फैक्सः (022) 6659 0517. टोल फ्रीः 1800–22–4500.
ईमेलः marketing@ecgc.in ● वेबसाइटः www.ecgc.in

ECGC Ltd.
(Formerly Export Credit Guarantee Corporation of India Ltd)
(A Government of India Enterprise)
Registered Office: Express Towers, 10th Floor, Nariman Point,
Mumbai - 400 021, India. Tel: 6659 0500 / 6659 0510.
Fax: (022) 6659 0517. Toll-free: 1800-22-4500.
e-mail: marketing@ecgc.in ● Website: www.ecgc.in

आप निर्यात पर ध्यान केंद्रित करें, हम जोखिमों से रक्षा प्रदान करेंगे ● *You focus on exports. We cover the risks.*

Splurge Or

Spend lavishly during this festive season? Or save for emergencies? Ways to solve the desire/thrift dilemma

By **Saibal Dasgupta**

Ragini and Sajeda, friends from college, plan to meet around Dussehra to do the Garba together after a gap of four years. "I'll buy you a multicoloured ghagra-choli for the dancing," Sajeda said over the free WhatsApp line. "What's the point of dressing up if we can't go out…and we're not even sure there will be celebrations this time," her friend said sceptically. "The whole point is buying for each other! Let the spirits soar a bit after Covid-19," Sajeda persisted. Experts call this sort of buying 'retail therapy'—exactly the mood-lifting mantra thousands of producers and retailers across India are hoping consumers would chant this festival season. "There's a pent-up demand caused by Covid fatigue. There's also a strong expectation of festival discounts, which will trigger a lot of buying," says Sanket Kapoor, Managing Partner, Flexi Capital LLP, a New Delhi-based private boutique wealth firm.

For those in the relatively richer brackets, the will to splurge during festivals may also be spurred by the realisation that they ended up saving a lot of money on liquor, restaurant bills and petrol during the lockdown. So there's actually a rebound effect waiting to be unleashed. The feelgood mood generated by festival lights, aided a bit by IPL, might just open the sluice-gates for the dammed-up waters.

A survey conducted by marketing and technology firm InMobi showed 26 per cent of the respondents plan to spend upwards of ₹25,000 this festive season. That's actually a

NIKHIL KAMATH
Co-Founder of Zerodha Broking Ltd.

A good strategy is to keep most of your investments in liquid assets that do not have lock-in periods

massive increase over 2019 when just 16 per cent said they would spend that amount, while 20 per cent said so in 2018. Some, in fact, may be eager to spend 10 to 100 times that amount! One reason is, the pandemic has created its own set of perceived needs. They include computer and online games which have found new converts among home-locked urban populations. Tools perceived as effective counters to the virus threat—air purifiers, ultra-violet cleansers and Ayurvedic supplements to boost immunity—too are selling briskly. The story is entirely different for the millions who've seen job losses and

Not?

a sharp reduction in income during the pandemic. They will try and avoid festival expenditure to the extent possible. Some may struggle though—spending becomes its own contagion, and desire spreads through the classes. Many others have decided to be ruthlessly frugal in their spending, though they do not face financial problems.

Indians spent ₹19,000 crore in just six days at Amazon's 'Great Indian Festival' and Flipkart's 'Big Billion Day' sales in 2019. The total sales through e-commerce sites this time last year was 30 per cent higher than 2018 and 77 per cent more than 2017—also an index of the growth of e-commerce in India.

Managing Money

So should you give in to the lure of discounts and the urge to spend during festivals? Isn't a bit of celebration vital to lift the spirits, weighed down by social distancing and an enveloping atmosphere of sickness and morbidity? Most financial advisors believe it's best to avoid big splurging and conserve as much funds as possible. "Our view is, all primary bread-earners should try to optimise savings so that expenses on festivals such as Diwali don't exceed 30 per cent of the monthly expenses," Kapoor says.

If the focus is on increased savings, where does one put the money? People are asking A good strategy at this time is to keep most of your investments in liquid assets that don't have lock-in periods and can be terminated whenever you need money," says Nikhil Kamath, Co-Founder, Zerodha, India's biggest online broking platform. He suggests investing 50-60 per cent of the surplus funds across various debt instruments, including tax-free and tradable bonds like those issued by Indian Railway Finance Corporation and the National Highways Authority. These are safe: they come with government guarantees and offer much better returns compared to bank fixed deposits.

"Many people have 70 per cent of their savings locked up in real estate. I would advise them to reduce this to the extent possible and make their funds work harder in other options," he says. Annual rental yields have fallen to 1.5 per cent of a property's asset value, making it a poor investment option, Kamath explains. He suggests investing 25 per cent in government debt and 35 per cent in stocks, including mutual funds. Of this, only 10-15 per cent should go for pure stocks. Investment in real estate should ideally be limited to 40 per cent of total savings. "Buying gold at this time does not make sense…there are signs of correction and an uncertain future," he says.

One risk during festival time is credit cards and the lure of financial loans—either in cash or during the purchase of consumer durables. It's important to keep a check on whether the portion of debt, some of which is avoidable, exceeds your tolerance limit in income terms. You may already be paying instalments on a housing loan, and it's best to control the desire to possess new things. Have you planned for emergencies, for retirement?

"Covid-19 is a wake-up call. You need to create an emergency fund of liquid savings equal to nine months income. It's also a good idea to save in advance for festivals and weddings," says Hina Shah, director of Luhem Financial, a Mumbai-based certified financial planner. She says it is possible to save 15-25 per cent of your monthly expenses by cutting down on variable expenditure. Financial advisors suggest writing out an elaborate financial plan. For example, it's better to save for a new sofa or refrigerator months ahead of buying instead of purchasing on loan instalments.

The habit of sleeping over big purchases and fact-checking and rationalising the family budget from time to time is also a good habit.

saibal@outlookindia.com

Discount Those Fears

Caution, but tinged with festive cheer. Sellers, lenders, e-marts—and physical shops—all await the king's entry

By **Jyotika Sood**

Dheeraj Arora, a bank employee living with his family of six in Kharar, on the outskirts of Chandigarh, has big plans for Dussehra-Diwali. Any bets on what? Well, that's a no-brainer. He's planning some binge-shopping, of course, as he eagerly awaits the festive deals—he'd kept off some home purchases for too long.

Everyone who tracks consumer behaviour knows this year is unusual. Many Indian households face an acute dilemma about whether to spend or not—the economic havoc brought on by business failures, job losses and salary cuts during Covid season has changed the equations.

But even amidst all the mixed sentiments, many people will be swept up by the rush of adrenaline when the big festivals come around after a long, enforced lull. The consumer's psychology will likely be in some sync with the macroeconomic yen for a revival. Most probable scenario: shopping deals luring buyers and cheering the markets. One critical difference. An existing pattern will be accentuated: with the virus being airborne, physical shopping itself poses a huge risk. So expect a sharp spike in the preference for online buying.

"The months from March to August have been full of anxiety, uncertainty and sadness. It's time to lift the spirits," says Dheeraj. "We are in a mood to spend and pamper ourselves." Of course, this kind of sentiment presumes a stable salary—only they even have that choice to beat the gloom. The pandemic has been a riches-to-rags story for far too many. And there are also many in between. Those in partially straitened circumstances are the ones in a real dilemma.

Take Kailash Pandey, a lawyer from Noida. Remember, the courts too were suspended during the lockdown, so he's studying a set of non-legal questions: whether to spend, what to spend on, and how much to spend. "There have been no earnings for months, all our savings have been exhausted. We might go shopping for the kids' clothes but no consumer durables," he says. Judicious spending, then, befitting a lawyer.

Small Town Is Big

Ironically, in this layered picture, it's people from the metros and Tier-I cities who seem to be taking a step back. Market pundits believe it's Tier-2 and Tier-3 cities—and families like Dheeraj's—that will bring cheer to the market, manufacturers, retailers and e-sellers.

A recent survey conducted by KPMG India titled 'Time to open my wallet or not?' revealed more optimism in Tier-2/3 cities about spending: these could be the next big potential consumption clusters. Pricing and promotions will naturally play a significant role in shaping consumer decisions. The survey highlights of key categories indicate some spending flexibility though: furniture, electronics,

appliances and accessories (34 per cent).

Says Harsha Razdan, Partner and Head - Consumer Markets and Internet Business, KPMG India, "The Indian consumer has of late been focused on purchasing essentials, so we anticipate the phase from Dussehra to Christmas will mark a peak shopping period with lots of promotions and discounts being offered across the country."

Indeed, a huge uptake is expected in indulgent products like kitchen and cleaning appliances, besides of course laptops/iPads/computers, what with online education on the rise. Add robust sales of mobile phones too: an all-in-one product that's both an end in itself and the means to other ends.

What about the discounts? Retailers and market pundits say these could be in the range of 20-50 per cent. For the auto sector, discounts up to ₹50,000-80,000 can be expected—throw in other benefits like free accessories and insurance. With consumer durables, expect 15 to 40 per cent discounts, with everyone in the supply chain ready to shave off a bit from profits to ensure inventories are cleared.

One grey area relates to physical retail spaces. Will those crowds throng the gaily-lit markets as usual? Or will the bulk go online? It's a tricky one. The lockdown knocked the stuffing out of physical retail. The Confederation of All India Traders reckons a business loss of ₹19 lakh crore in the last five months! Says Praveen Khandelwal, Secretary General, CAIT: "There was a loss of about ₹5 lakh crore in April and ₹4.5 lakh crore in May. June, after Unlock-1, saw about ₹4 lakh crore losses, July-August saw that dipping to ₹3-2.5 lakh crore each."

Now, the unlocking may have offered avenues to release the natural human instinct to go out and spend, pent up for so long. And yet, the rising COVID numbers will bring caution to most. Safety protocols, therefore, will be vital.

"The retail industry has started to witness some green shoots, especially in states that are allowing retail to operate with fewer interruptions," says Kumar Rajagopalan, CEO,

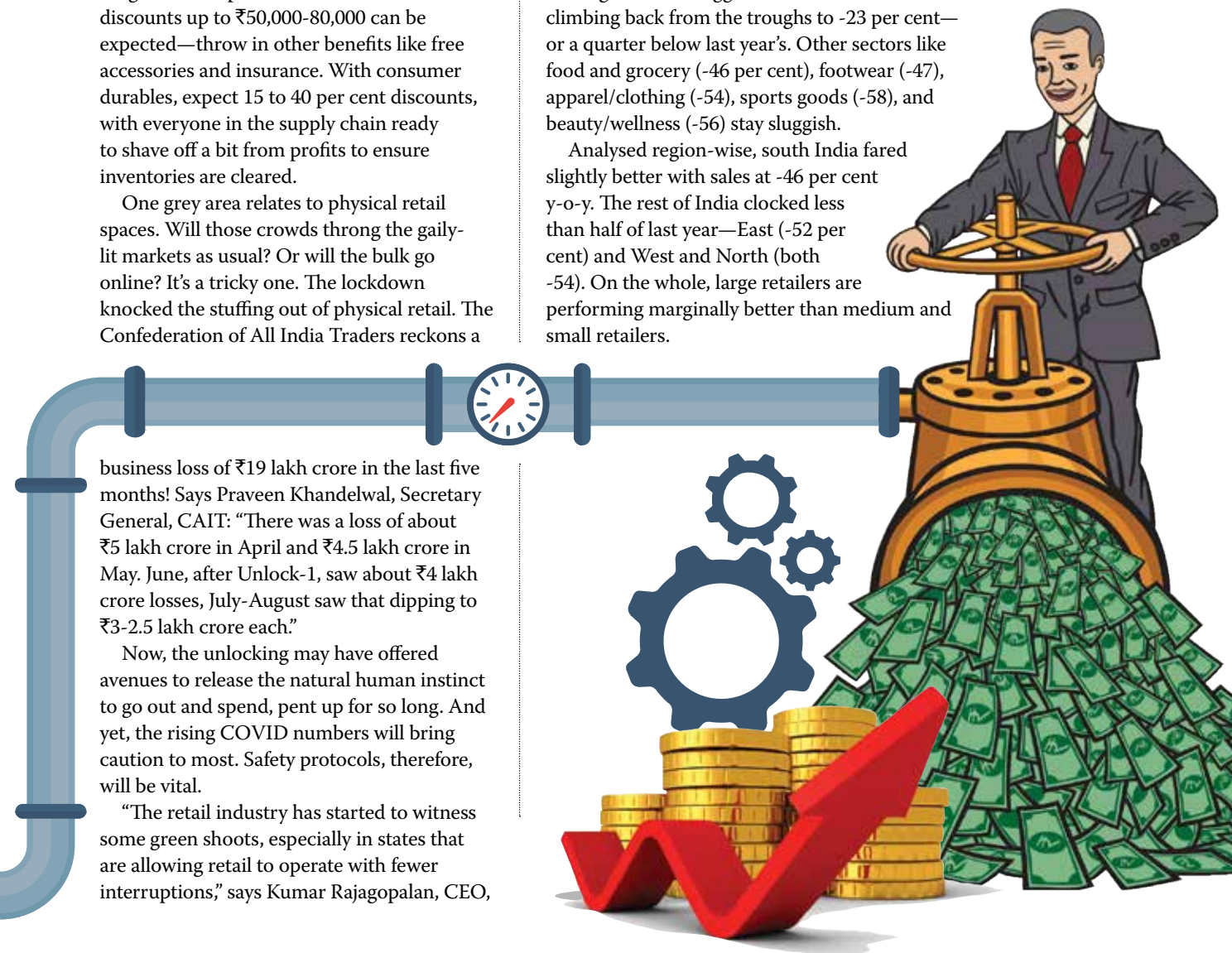
ANUJ KACKER
Co-Founder, MoneyTap

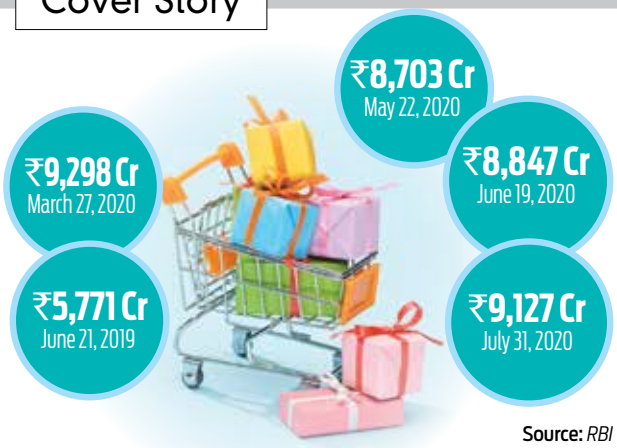
With easy financing and a culture of festive spending, we anticipate an upswing in numbers

Retailers Association of India. "Government support at local levels, with the assurance of no more localised lockdowns, will also help festival sales aspire to normal levels, perhaps just 20 per cent short of last year's figures. Some segments may even do better."

According to him, on a year on year (y-o-y) comparison, August saw consumer durables beating back the sluggishness, with sales climbing back from the troughs to -23 per cent—or a quarter below last year's. Other sectors like food and grocery (-46 per cent), footwear (-47), apparel/clothing (-54), sports goods (-58), and beauty/wellness (-56) stay sluggish.

Analysed region-wise, south India fared slightly better with sales at -46 per cent y-o-y. The rest of India clocked less than half of last year—East (-52 per cent) and West and North (both -54). On the whole, large retailers are performing marginally better than medium and small retailers.





Source: *RBI*

Bank Credit On Consumer Durables

Who Picks Up The Bill?

That's the other constraint. The retail market is ready with open arms, but will the money flow? Will all channels involved in the flow stay unhindered? Lenders may be willing, but finally it's consumer willingness that will be crucial. Says a senior Citibank executive, "Finances won't be a problem. Besides consumer durable loans from banks and credit cards, NBFCs like Bajaj Finserv, whose target is mainly consumer durables, and fintech startups are luring customers. The real challenge is whether the public is ready to take the risk."

Anuj Kacker, Co-Founder, MoneyTap, is optimistic. "Yes, the economy is affected, but there's still a steady demand for consumer durables. With easy financing options and a deeply entrenched culture of festive spending, we anticipate an upswing in the numbers," he says. People have been using MoneyTap for purchase of smartphones, laptops and other items, especially in online festival sales, he says.

While the credit line is their primary offering, they also offer products like credit cards, personal loans, and consumer financing options (like 'No Cost EMIs' at e-commerce sites) that come handy in purchasing consumer durables.

HARSHA RAZDAN
Partner and Head - Consumer Markets and Internet Business, KPMG India

The festive season will mark a peak shopping period with lots of promotions and discounts

India currently has over 450 alternative lending startups that charge 2.5 per cent to 5 per cent interest per month depending on the loan structure and the startup's revenue model. These startups don't ask for heavy documentation like banks and NBFCs: identity and residential proof suffices. Repayment is via EMIs or a one-time payment—these online loans are treated just like any other bank/NBFC loan, and the same rules apply for defaults too, with a negative impact on future borrowing. So, in case you are not eligible for bank loans, credit cards or don't have enough cash, you can enjoy the festivity with a loan from a fintech.

Kacker feels the Indian love for spending during the festive season will outweigh doubts. "We expect more online purchases. With cheap data and the reach of e-commerce in Tier-II and Tier-III cities, there will be a shift to online but people would still need credit," he adds. Sensing an opportunity, MoneyTap has expanded operations to 40+ new locations pan-India, all based in Tier-2 and Tier-3 cities.

Who else is gearing up for the season? The big e-commerce sites, of course. Says the Amazon India spokesperson, "This festive season, our focus will be on providing reliability to customers, ensuring safety of employees and helping sellers get back on their feet. That means lakhs of sellers, small and medium businesses, artisans, women entrepreneurs, emerging Indian brands and local store owners from programs like Karigar, Saheli, Launchpad and Local Shops."

Flipkart too is geared up for its annual event, Big Billion Days. The Flipkart spokesperson too speaks of helping "revive businesses and keep the wheels of the economy moving". Maximising access is the name of the game, so the company has introduced features like regional language interfaces (Hindi, Kannada, Telugu and Tamil) on the app and customer-friendly voice assistants.

Market pundits say this festive season is less about competition, more about getting the blood circulation going again: seller, customer, lender, aggregator…they are all cogs in a wheel that's beginning to move out of inertia.

jyotika@outlookindia.com

4 Reliable Ways to Save for an Emergency Fund

With a little planning, financial prudence and a step-by-step approach, setting up an emergency fund can be easier than you think. Here are four most fool-proof, expert-backed ways to get started.

Vikas Kothari

For most of us, a monthly expense list reads somewhat like this - rent, EMIs, utility bills, groceries, child-related expenses, transport, etc. With a list of immediate expenses taking up a good chunk of your salary, creating a savings fund can be daunting, and often takes a backseat. But remember, what you do right now will largely determine how your life will look like in future.

Bear in mind the only constant in life is change. You could lose your job, meet with an accident, or just get netted in a pandemic-induced recession like this year. We can't see it coming! No, turning to your credit card to tide over a crisis does not count. It is just another way of piling onto your fragile situation, making it riskier.

So, when a crisis of this nature creeps up on you, what do you do? Enter the emergency fund - a ready source of money, set aside in a savings instrument to cover unexpected expenses. Here's how you can get started:

1.Make it a category

The easiest way to get started is to list your fixed monthly expenses and see what you have left in the end to spare. Right? Not really! It may be a common approach, but not the most effective. Making the emergency fund another category in the fixed expenses list is. This forces you to make the act of saving just as unavoidable as paying your electricity bill and you will automatically tuck away a certain amount before it gets spent.

2.Fill it, shut it, forget it

The tagline from the iconic 1980s Hero Honda ad conveys it best. Set up an auto debit for your emergency fund account. Direct debits take the hassle of deciding what to save every month.

How much should you invest?

Financial advisors suggest saving up at least five to six months worth of expenses to tide you over a major crisis. But this is heavily dependent on other factors. For instance, having a life insurance policy and zero debts means you will need a relatively smaller emergency fund.

And being regular transfers, they can also snowball pretty quickly into a comfortable corpus you can rely on.

3.Channel money from different sources

It's great to put aside the spare change that you can. But it's even better if you can periodically add heft to your emergency fund with extra income. That tax refund, Diwali bonus, or annual raise can go into savings at least partly if not entirely.

4.Choose the right space to invest

Keep your emergency fund separate from your regular bank account. Park your savings in high-yield savings accounts or in liquid mutual funds for maximum returns. Also, make sure the fund is easily and immediately accessible, when need be.

Re-evaluate periodically

Review your emergency fund from time to time and adjust the goal amount to accommodate various factors such as inflation, job changes, addition to your family, increase or decrease in debts etc. ■

(The author is as is the founder and CEO of P10bank.com)

Half Celebration During Festivals

The big, fat Indian wedding is off. But India beats the dhol with EMIs, digital gold

By **Yagnesh Kansara**

Prashant Jadhav, a young PR professional from Mumbai, was looking forward to buy gold for his wedding in December 2020. He had planned to purchase jewellery for his bride. With the pandemic, everything has taken a back seat.

Jadhav complains, "The spread of Covid-19 and subsequent lockdown derailed my entire plan and gold prices also began to rise sharply. I have to delay my wedding for a few months because of it."

The pandemic has taught us all one big lesson—stay grounded, stay austere and go online. When it's a choice between life and death, everything can wait, be it festive fanfare or big fat Indian weddings.

Come October, the biggest festivals begin and go on till Christmas in December. This also happens to be an auspicious time for weddings. However, with restrictions of social distancing and shoestring budgets, everything is in a very low key.

Weddings are a big business in India. According to a report by KPMG, the US wedding industry is ranked at number one in terms of size at $70 billion annually. The Indian wedding industry is ranked second with an estimated size of $40-50 billion. And gold is an integral part of it.

However with gold prices on a surge, retail demand for gold has seen a big dent: it has slid 56 per cent in the first half of the year to 165.6 tonnes as compared to the same period last year.

Maansi Rane, 58, who recently retired from an MNC and plans to conduct her daughter's marriage, says with a sigh, "Weddings are a big deal in India. If it's a daughter's wedding, then it's even more special. After retirement, my first priority was to buy gold for that. After a lot of research and consulting financial advisors, we were planning to buy on Gudi Padwa, the Maharashtrian New Year. Unfortunately, it fell on March 25! The lockdown was announced a day before and the price of gold started surging. Buying gold has become a difficult task at least for now."

The biggest setback was seen in the jewellery industry where demand slumped to 117.8 tonnes in the first half of the year, as compared to 294.10 tonnes in the same period last year. Rising prices, contraction in growth (GDP) rates, declining disposable incomes and lockdown restrictions kept buyers away from the physical market.

The economy is in a dismal state. GDP figures for the first quarter (Q1) ended June 30, 2020, showed that the Indian economy has contracted by a massive 23.9 per cent, highest among the G-20 countries. The Q2 is also expected to see a sizeable de-growth. Along with contraction, the nationwide lockdown has also hiked inflation. The Consumer Price Index (CPI) has touched almost 7 per cent, which is above the 4.5 to 6 per cent band set by the Reserve Bank of India.

This seriously disrupts the festival season and the wedding season that follows.

However, certain data points indicate that 'normalcy' will come back sooner than later in the Indian economy.

Consumers, though, have discovered a unique way to beat the slowdown and get a

SUGANDHA SACHADEVA
VP, Currency Research, Religare Broking

Majority of gold ETF purchases in India are made by retail and high net-worth Individuals

bit festive. The majority of buyers are now opting for no-cost EMIs (Equated Monthly Instalments) for their purchases—that's giving a tough time to Non-Banking Finance Companies (NBFCs) which are offering quicker loans at competitive interest rates. Pine Labs, a firm that operates in the payment technology space and provides a smart cloud-based unified Point-of-Sale (PoS) platform, has seen an unprecedented jump in such EMI-driven transactions in the first two months of Q2.

B Amrish Rau, CEO, Pine Labs tweeted in August, "Credit and debit card EMI is solving consumer requirements in these tough times. The last couple of months have been the highest grosser. Nearly ₹2,000 crore in a month."

He feels retail Gross Transaction Value (GTV) in May bounced back to the pre-lockdown average as is evident from the consumer durables segment. Smaller cities (Tier-3 and Tier-4) are showing demand, as per a Pine Labs analysis. The total value of financial transactions done using debit cards issued by the banks at PoS terminals exceeds that of credit cards, as per June 2020 RBI data. The past five years have seen a steep rise in issuance of debit cards from nearly 55.40 crore to over 80 crore, as of June 2020.

With most consumers cautious about spending, demand for debit card EMI has shot up and the EMI business also reflects a growth of 26 per cent in value and 5 per cent increase in ticket size when compared to pre-Covid period. Tier-3 and Tier-4 cities have also registered 35 per cent and 56 per cent GTV growth respectively in EMI-driven transactions as compared to January 2020.

In fact, consumer durables witnessed a phenomenal growth of 250 per cent in EMI transactions compared to pre-Covid period due to more merchants providing debit/credit card EMIs on PoS option to their customers to boost sales.

Another interesting trend is investment in digital gold. Demand for gold as an asset class has been better, although there was a 39 per cent drop from a year ago period. Gold Exchange Traded Funds (ETFs) remains the preferred choice for investment with a

Credit & Debit Cards In Q1 & Q2 2020

MONTH/ YEAR	Card Payments		Credit Cards		Debit Cards	
	VOLUME (LAKH)	VALUE (₹ CRORE)	VOLUME (LAKH)	VALUE (₹ CRORE)	VOLUME (LAKH)	VALUE (₹ CRORE)
Jan-20	6654.46	151147	2017.27	66573	4637.19	84575
Feb-20	6263.55	142294	1882.94	62148	4380.6	80146
Mar-20	5354.85	115877	1638.57	50574	3716.28	65303
Apr-20	2863.83	49807	768.53	20765	2095.3	29043
May-20	3752.17	80274	1028.86	32225	2723.3	48049
Jun-20	4339.08	105266	1248.55	42773	3090.54	62494

Source: RBI papers

Interview

Gold's Festive Glitter

MP Ahammed, *Chairman of Malabar Gold and Diamond, spoke on the demand for retail gold and silver and where the prices are headed during the festive and wedding season, in conversation with* **Yagnesh Kansara**. *Edited excerpts:*

What are the reasons behind the sudden spurt in gold and silver prices?

The domestic gold price is always influenced by the international price movement. The international gold price has gone up because of geo-political tensions, Covid-19 pandemic, devaluation of dollar, investors' inflow. And, the prevailing economic uncertainties have also enhanced the safe-haven value of gold among investors. All these reasons have contributed to the rise in gold prices. On the other hand, the rebound of industrial demand has increased silver prices.

How far will it go? Will it affect the retail jewellers' demand during the festive season?

It's very difficult to predict the price movement at the moment. However, due to the prevailing economic scenario, the gold price will remain on the higher side. The gold price rise will have a short-term impact on jewellery demand. In the long run, the buyers will come to terms with the new normal pricing.

How have your sales been in the last six months ?

Due to the pandemic and the subsequent lockdown, jewellery stores across the country were shut down. So, jewellery retail, which is majorly touch-and-feel and relationship-driven, has been severely impacted. During the unlocking process, the sales are gradually reviving, as we are opening stores, following the guidelines. But, it is yet to reach the pre-Covid level.

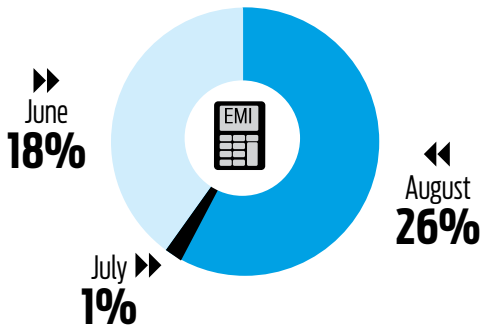
Do you advise your retail clients to buy gold and silver at this price level?

Anytime is a good time for investing in gold. In this scenario, investing in gold jewellery will protect investors' capital. Buying gold is the best hedge against economic uncertainties and upward gold price movement.

yagnesh@outlookindia.com

MP AHAMMED, CHAIRMAN OF MALABAR GOLD AND DIAMOND

EMI Growth In GTV Vs Pre-COVID Levels



massive inflow of over ₹3,500 crore in the first half of this year. Rane says, "We have started our research in buying gold online and are currently looking for the best options. My family has decided we will not rush into buying gold and wait for the right time when prices soften."

Jadhav's friend has suggested that he go for digital gold. "Now I am thinking of this option, as it looks more feasible given the situation," he adds. Sugandha Sachadeva, VP, Currency Research, Religare Broking, says,

Region-Wise Growth As Compared To Pre-Covid Levels

	JUNE	JULY	AUGUST
Tier 1	-7%	-14%	14%
Tier 2	13%	3%	25%
Tier 3	19%	11%	35%
Tier 4	62%	38%	56%

Source : Pine Lab Data

"The interesting fact is, the majority of gold ETF purchases in India are made by retail and High Net-worth Individuals (HNIs). Indian investors have also mopped up yellow metal by investing in gold bonds in a big way in all the five tranches, where they have subscribed to almost ₹3,387 crore worth of bonds in the recent fifth series for FY21.

As gold prices correct in line with the international rates, and as we approach the wedding and festival season, demand for physical gold is likely to witness a revival.

yagnesh@outlookindia.com

How To Set Up Systematic Withdrawal Plan And Protect Against Capital Erosion

Venkateswaran Muthukrishnan

Planning for regular cash flows from investments is one of the major requirements of all investors, particularly retirees. Two of the most popular cash flow generation options generally seen are buying an immediate annuity plan from an insurance company or setting up systematic withdrawals from mutual fund investments.

The Immediate Annuity plan from insurance companies suffers from shortcomings like annuity not being able to match inflation, lack of corpus liquidity, poor tax efficiency, lack of transparency etc. This is where Systematic Withdrawal Plan (SWPs) offered by mutual funds trumps.

What is Systematic Withdrawal Plan (SWPs)? Mutual Fund schemes allow an investor to withdraw a pre-determined amount from the accumulated corpus at periodic intervals (monthly, quarterly, half-yearly or annually) to meet his cashflow needs.

The key advantages of SWPs as compared to insurance annuity payouts are as follows:

- Tax efficient returns
- Flexibility to decide timeframe and amount of withdrawals
- Corpus liquidity at all points in time
- Ability of the corpus to participate in equity market gains

Because of these benefits, SWPs have become popular among the retirees. Though it is possible to set up SWPs in debt and equity schemes, investors tend to set up this feature in equity oriented funds.

Risks associated with SWPs in Equity Funds: While there are inherent merits in equity fund SWP such as its ability to generate inflation beating returns; there are some downside risks as well like capital erosion which impacts the corpus available. This could cause an investor to run out of money well before the target date. Therefore, it is imperative to fine-tune this strategy to extract maximum benefit out of SWP strategy in equity funds.

When investing lump sum, watch out for valuation levels: When making lump sum investment for setting up SWP, it is necessary to time the entry point appropriately using valuation metrics, for optimal investment experience. As the strategy is designed to provide regular cashflows for long periods of time, we have to go back in time to understand the impact of valuation levels on the portfolio.

To illustrate the point, an investor Ashok retired on 31st December, 2007, with a corpus of Rs.10 lakhs. He wants a cash flow of Rs.10,000 per month for foreseeable future. He has two options in front of him.

Option 1: Go ahead and invest in equity mutual funds and set up SWPs immediately

Option 2: Look at the valuation metrics of that time and decide if it is the right time to enter equities

The PE ratio of the market as on 03rd January 2008 was around 27.3 times.

Each of the option produces starkly different results. The fund under consideration existed in 2008 and now with no change in investing mandate.

Options	Investment	PE	SWP per month	Total SWPs till date	Current Market Value	Remarks
Option 1	₹10 lakhs	27.3	₹10,000	₹14,10,000	₹2,746/-	Invests immediately
Option 2	₹10 lakhs	17.5	₹10,000	₹14,10,000	₹24,52,228/-	Defers it by 6 months and invests when PE reduces

Option 1: The investor faces negative sequence of returns during initial days of investments which resulted in complete capital erosion over the next 12 years. **Option 2:** The investor opted to wait patiently for an opportune time to deploy the corpus. **By deferring investment based on market valuation, the investor could change the sequence of portfolio returns.**

Rebalancing at regular intervals: After creating an investment portfolio comprising of equity and debt, it is important to re-balance at periodic intervals. By way of periodic re-balancing, one can book profits when equity valuations are expensive and shift to debt funds. This effectively helps in portfolio protection and lengthens the period of cashflows generated from the corpus available.

Investing through Dynamic Asset Allocation funds: Off late, dynamically managed asset allocation funds have gained popularity which does the re-balancing on its own based on pre-determined valuation models. These valuation models are time tested and tend to be very robust. As there is no investor interference, such funds remove behavioral biases such as greed and fear which further helps to optimize returns.

To sum up, by adopting a combination of valuation based investments, periodic re-balancing or opting for time-tested dynamic asset allocation fund, an investor can use SWP to their advantage not only to protect their capital but also to generate reliable cash flow over long periods of time. ■

(Author is the Founder, Acuwealth Advisors)

New Gigs In Town

The festive season is creating a surge of temporary jobs everywhere. It's a gig economy, but it's a start

By **Indrishka Bose**

The headlines could send India into collective depression: they incessantly speak of job losses in millions. But the festival season will bring respite—even if temporary, it could get the economy out of its coma. For those able and willing, there's a slew of new jobs for the taking in e-commerce, food tech, fintech, BFSI and retail. Yes, what's in demand are job roles in delivery personnel and support functions, supply and warehouse management. But this may help impart a sanguine buzz to India's ailing economy—like having a glass of cane juice on a hot summer day.

Recently, Walmart-owned Flipkart announced it would generate over 70,000 direct and lakhs of indirect seasonal jobs ahead of its Big Billion Days (BBD) sale. Ecom Express said it would create 30,000 temporary jobs. Similar plans are being shared by Amazon, BigBasket and many others to meet the festive demand. As per OLX People's Employment Sentiment Survey, ITeS, logistics, and e-commerce are expected to be the biggest employers around October-November: these businesses will require additional staff, especially in the delivery and last-mile teams. The canvas hitherto was awash with red flags and pink slips: around 21 million salaried employees lost jobs during April-August, as the pandemic choked India. CMIE data suggests 4.8 million job losses in July itself, plus another 3.3 million in August. However, experts believe the coming months will see green shoots of recovery as commercial activities resume across India—partly, the unlock process, partly festivals and weddings.

Says Kamal Karanath, Co-Founder, Xpheno, "August ended on a positive swing with over 70,000 jobs getting refreshed or relisted. The total active openings of the month closed at over 2,20,000, crossing the 2,00,000 mark for the first time in over four months." Thus, June 2020 proved to be the true dip point in the V-shaped graph for jobs in the last two quarters, Karanth says. That's when India's economy felt the full cumulative shock of the sudden lockdown,

TARUN SINHA
Head, OLX People (HBU)

Hundreds of companies are looking at outsourced talent instead of in-house to optimise resource allocation

Photo : Outlook Images

as all activities ceased. It had compelled India's migrant workforce in the unorganised sector to undertake a harsh reverse migration, and footfall-dependent businesses went into a summer hibernation.

But there seems to be a perceptible shift in trends. A Naukri JobSpeak Index survey points to a 12 per cent improvement in job postings at 1,413 in August, as compared to July. And the ManpowerGroup employment survey projects stable hiring for the next three months, seen against the last quarter. It says public administration, transport and utilities, finance, insurance and retail will lead the fourth-quarter job market. Mining and construction may see only neutral growth. But the festivals will bring a rush of oxygenated blood to some desiccated parts of the economy.

Gig Economy: a labour market characterised by the prevalence of short-term contracts

"The gig economy had been on an upward trajectory since before Covid. Now, hundreds of companies are looking at outsourced talent to optimise resource allocation. This is creating opportunities for freelancers. The new 'remote' normal is conducive to gig workers. This trend is certainly expected to continue in India," says Tarun Sinha, Head of OLX People (HBU).

The gig economy is inherently unfair, of course—that's the whole point of it. The picture is hardly ever rosy for freelancers. A recent study by Dinghy, an insurance provider to freelancers and self-employed, shows 50 per cent freelancers feel they over-served their clients, and 30 per cent admit to having gone unpaid. But this is still a ray of hope amid gloom: as white-collar jobs saw significant erosion, the work available to freelancers has increased. "A chief HR officer of an IT MNC declares an ideal workforce distribution as: 60 per cent employees, 20 per cent contingent workers, 10 per cent freelancers, 5 per cent interns, 5 per cent projects to IIT students. However, achieving the mix is a challenge; employers need to find matching skills, right cost, right location, right time. The four frictions are not easy to manage overnight," argues Karanth.

The paradox is that full-time employees seek the flexibility of freelancers, while the latter covet the former's benefits: insurance, mediclaim, assured income.

The welcome part is, of course, having any income at all—and the season brings glad tidings. "Hiring patterns have adjusted slightly to the new normal. We've seen an increase across cities, including Tier-2/3, where they are expecting a ramp-up," says Sinha. Hiring activities in Mumbai had dipped by 44 per cent, Chennai by 41 per cent, and Delhi-NCR saw a 40 per cent decline. (The least impacted: Jaipur, Vadodara, Chandigarh.) That's where the festival season will bring a virtuous bend on the graph.

indrishka@outlookindia.com

Deep Scar In Consumer Finance

Job losses, salary cuts and economic uncertainty will affect celebration

By **Avinash Gorakshakar**

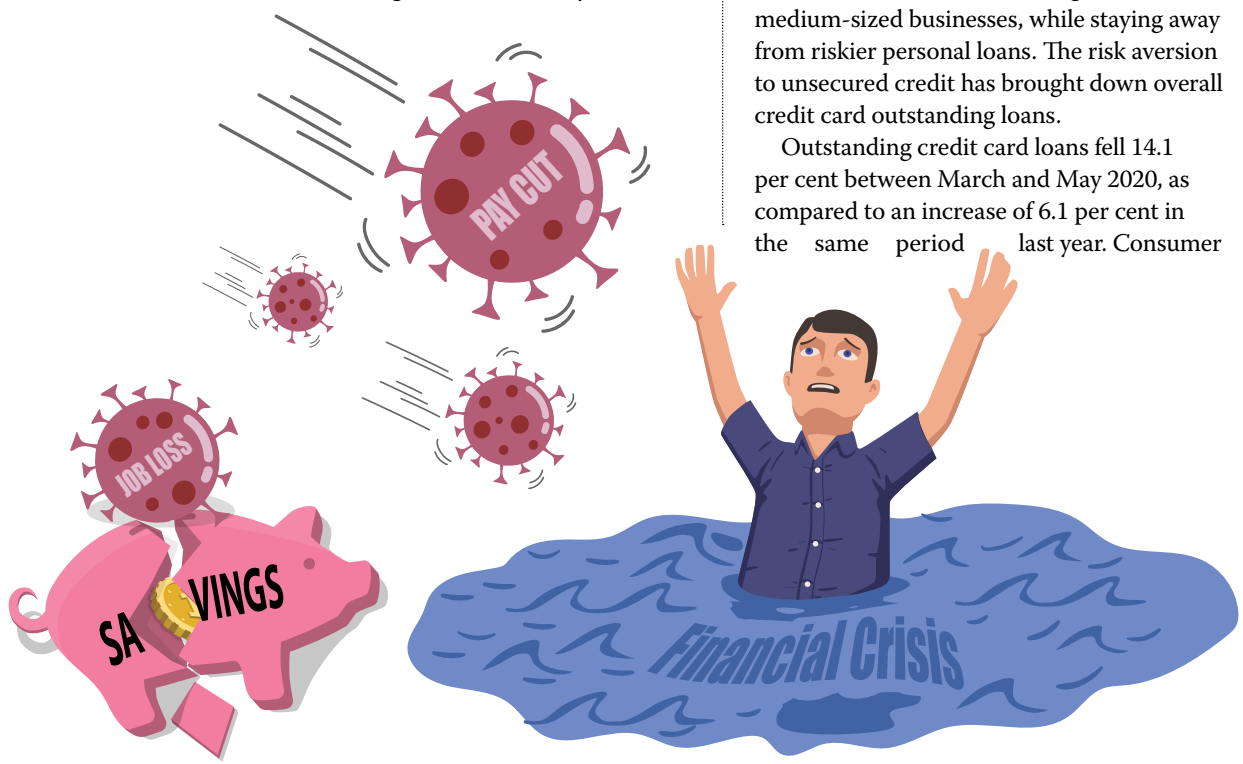
The novel coronavirus-induced pandemic since January 2020 is likely to moderate demand trends across consumer and personal finance loan segments in the current financial year and during Q2 and Q3 of FY21. Consumer spending across loan categories, such as personal loans and consumer loans, taken to finance small-ticket items like washing machines, dishwashers, heaters, refrigerators and air conditioners have been impacted badly due to factors like loss of jobs, salary cuts and continued uncertainty about the future.

Both banks and NBFCs have also tightened their credit procedures and risk assessment systems to ensure that credit is offered only to customers with a good repayment track record. The scuttlebutt exercise done by some large NBFCs and banks reveal that credit demand is high but disbursements continue to show a slower growth as recovery and risk assessment of consumers are now a vital area for financiers.

Financial advisors we spoke to say that banks and NBFCs with high moratoriums are giving out credit at a slower pace. According to Dun & Bradstreet's Economy Forecast, demand will only materialise once the economic activity gathers momentum. It is also of the view that despite an increase in the e-commerce activity, indicating some tentative revival in pent-up demand, the expected decline in the investment activity can be a drag on growth.

Therefore, while the festival-related demand might pose some buoyancy to the industrial activity from October 2020 onwards, the magnitude will remain low compared to last year. With COVID-19 disruption worsening, coupled with government finances remaining constrained and defaults and bankruptcies in the private sector yet to unravel, most financiers are not expecting a bumper revival in festival demand. The Indian banking sector has also shunned lending to small-and medium-sized businesses, while staying away from riskier personal loans. The risk aversion to unsecured credit has brought down overall credit card outstanding loans.

Outstanding credit card loans fell 14.1 per cent between March and May 2020, as compared to an increase of 6.1 per cent in the same period last year. Consumer



durable loans fell 6.4 per cent, as compared to a 3.4 per cent decline in this period last year. Outstanding personal loans fell 3.6 per cent between March and May against a 2.8 per cent increase last year. Housing loans also declined 0.7 per cent in the first two months of this financial year compared to a rise of 1.4 per cent last year.

Within the retail loans, mortgage loans grew at 12.9 per cent, slowest since November 2017, while the growth in personal loans slowed down further to 12.3 per cent. Credit card loans also declined 0.8 per cent YoY – first time since April 2014. This is in stark contrast to new loan origination volumes during 2019 when demand for personal loans, consumer loans, credit cards grew by over 80 per cent in 2019 over 2018. A large part of these disbursed loans came in from purchase of consumer durable goods during the festive season last year. This growth was also largely on account of new loan originations with ticket sizes getting reduced to as low as ₹20,000.

Banks also continued to give out loans in the ticket size bracket of ₹300,000 & above, with traditional NBFCs too showing a significant decline in their ticket sizes to ₹50,000. During FY20, credit cards and personal loans recorded growth at 40 per cent and 28 per cent YoY in Q2FY20. Secured and unsecured loans including auto loans, loans against property, home loans and credit cards saw growth of 10.3 per cent, 11.6 per cent, 10 per cent and 40 per cent, respectively during Q2FY20. Public sector banks, such as Bank of Baroda launched 'Baroda Personal Loan COVID-19', for its existing retail loan customers to avail personal loans. Similarly, among many other launches by many banks, Bank of India also launched 'Bank of India COVID-19 Personal Loan' for Individuals.

COVID-hit people can get low interest loans from banks

Banks and NBFCs are offering such personal loans for a specific purpose to tide over the liquidity crunch facing COVID-19 pandemic largely on account of emergencies like layoffs, salary cuts, or any unforeseen shortfall in income, etc. The interest rate on these loans are lower than personal loans, and vary from 8 per cent to 15 per cent, per annum. The loan term also ranges from six months to five years.

Meanwhile, there are some signs of normalcy emerging from sectors like automobiles where traditionally festival sales have always remained strong. In recent months, there has been a strong demand for both two wheelers and four wheelers as the need for personal transportation is going up.

Sales of cars and two wheelers in India are slowly rising after witnessing nearly zero sales in April when the country went into a total lockdown. On the other hand, sectors like housing which have traditionally recorded higher volumes of sales in festive months are showing no sign of revival. The coronavirus outbreak has severely impacted the country's real estate sector, which has been reeling from the adverse impact of liquidity crunch, high inventory overhang, weak affordability and subdued demand conditions.

In conclusion India's lockdown has left a deep scar on the economy, with Q1FY21 GDP contracting by 23.9 per cent YoY, one of the steepest among Asian countries. Unfortunately, the easing of lockdown restrictions comes even as India's COVID-19 curve continues to steepen risking a derailment of the recovery process. The spread of the infection is no longer limited to urban centers, but has now shifted towards smaller towns and rural areas. The economy is likely to remain in a contraction mode for the next couple of quarters and will return a small growth only from Q4FY21 onwards. Headwinds facing job recovery, high government debt levels, and continued risk averse sentiments of the banking sector are likely to be the key monitorable.

The author is Director Research at ProfitMart Securities

Smart Investing In Equity Mutual Funds

Retail investors are often confused about how to choose equity mutual funds and which ones suit them most. **Kaustubh Belapurkar**, *Head Fund Research at Morningstar India talks to* **Saibal Dasgupta**, *about this issue.*

In your view, how should a retail investor with a 3-5 years timeframe, allocate funds to different categories of equity mutual funds?

Investors need to have a clear focus towards their risk return objectives and investment time horizon. Typically for an investor with a 3-5-year horizon, we wouldn't recommend greater than a 25-30 per cent equity exposure, which should be purely taken through large cap funds. The fixed income allocation of the portfolio can largely be allocated towards corporate bond and short duration funds with some funds invested in ultra short duration funds for liquidity needs.

Please suggest the top five large cap funds in terms of two parameters, reliability and returns, over the past three years? They could be same or different ones.

Aditya Birla Sun Life Frontline Equity

The fund stands out for its consistent performance. The fund led by Mahesh Patil, has a growth bias, which is apparent as he focuses on factors such as Return on Capital Employed (ROCE), Return on Equity (ROE) and earnings growth potential, while paying attention to valuations.

HDFC Top 100 Fund

The fund's investment strategy driven by manager Prashant Jain involves plying a research-driven approach with a focus on investing in reasonably priced, quality businesses. Its valuation-conscious approach and its willingness to be patient with even underperforming holdings have resulted in a fairly unique process with the potential to deliver superior performance over a market cycle.

ICICI Prudential Bluechip Fund

The fund, which is jointly managed by Anish Tawakley and Rajat Chandak, has a quality bias when choosing stocks: They favour companies with robust business models, strong entry barriers, and the ability to scale up without eroding profit margins. They follow a barbell strategy by also buying a portion of the portfolio with a value bias.

KAUSTUBH BELAPURKAR

Head Fund Research at Morningstar India

Flows in equity funds are improving after the sharp reduction caused by the market crash in March

Mirae Asset Largecap
The investment philosophy of the fund with Gaurav Misra as Lead Manager is built on three core principles: quality businesses with stable earnings, strong management, and attractive valuation. It has a record of consistently delivering better risk-adjusted returns than its benchmark and most peers.

SBI Bluechip Fund
This fund's focus on long-term investing in quality names is evident in the portfolio. The fund, led by Sohini Andani, has an orientation towards growth stocks focussing on long-term (three- to five-year) visibility.

Individual investors constitute 88 per cent of Assets Under Management (AUM) of equity funds

Please do the same for the purpose of both mid cap and small cap funds

Mid Cap Funds:

DSP Midcap Fund
This fund scouts for growth-oriented companies that have sustainable competitive advantages over their peers and are leaders in their industries. The fund's strategy allows it to play its strengths. Fund manager Vinit Sambre has executed the strategy with a good degree of success over the years.

Franklin India Prima Fund
The focus of this fund led by R.Janakiraman is high-quality mid caps that have sustainable economic moats, predictable businesses, consistent earnings growth, reasonably high returns on equity with low balance-sheet risk.

Kotak Emerging Equity
The focus here is growth businesses with strong entry barriers and sustainable competitive advantages. The fund led by Pankaj Tibrewal aims at protecting downside risks which is reflected in its market capture ratios.

Small Cap Funds:

HDFC Smallcap Fund
There is a perceptible quality bias in its investment style in this fund led by Chirag Setalvad who favours companies with strong management teams and robust business models.

SBI Small Cap
This fund managed by R. Srinivasan seeks companies capable of delivering high growth on a sustained basis. The strategy draws almost entirely from the bottom-up approach.

What is the extent of participation by retail and institutional investors in equity funds?
Retail investors make up the bulk of the equity investments. As per latest industry data 88 per cent of the Equity AUM is from individual investors. Equity investments typically form a bulk of the individual investor portfolios with 68 per cent invested in Equity funds. Institutional investors are more focused on short-term investments lower volatility fixed income funds and thus only 10 per cent of the overall investments from institutional investors are in equity funds, with an additional 14 per cent in ETFs which is largely due to EPFO investments in ETFs.

We have seen a major shift of investments from equity to debt funds in recent months. Do you expect trend of preferring debt funds to continue in the coming months?
Equity funds flow have remained muted for the last few months primarily due to the sharp bounce back in the markets post the steep correction in March. Since then markets have made a significant recovery and prompted investors to book some profits, resulting in flat to negative flows from equity funds in the last couple of months. Overall SIP flows, albeit trending marginally lower in recent months will remain the bedrock of the inflows into equity funds.

Fixed income funds have gone through their own set of challenges post the winding up schemes by Franklin Templeton in April. Investors redeemed significantly from credit risk funds as well as any other fund that was perceived as holding higher credit risk in its portfolio. There has been a flight to safety with investors moving to categories like banking and PSU, corporate bond and short duration funds. We expect the preference for these categories will continue for some time, at least till the pandemic related effects on the economy don't start easing out.

Do you think there may be more incidents of collapse of debt funds in near future? Is there a need to review the process of assessing both debt and equity funds by regulators and the industry?
We think the likelihood of similar incident happening is limited. The outflows from the affected category of funds havenormalised over the past few months while managers too have created additional liquidity buffers in their portfolios. The regulator has been quite proactive with their regulations and will look to further strengthen the fund norms to address some of these issues. The industry participants should continue to work on investor education to ensure the various risks are well understood by investors.

saibal@outlookindia.com

Could This Be A Stagflation?

Wholesale prices low, retail prices high due to unplanned unlocking

By **Lola Nayar**

Even if you find macroeconomics daunting and a bit boring, there's one set of numbers that's sure to earn your undivided attention every once in a while: retail inflation. This is one such time when that phrase stalks us again, like a seasonal curse—except that it's much worse this time. The knock-on effect of the health crisis is already all-pervasive: the government is struggling to put the economy back on track and help people retain jobs. No mean challenge, therefore, for it to navigate the complex factors that get consumer prices to soar. And the overall picture is gloomy enough for some experts to toss that other dreaded word into the frame: stagflation.

Why we are talking about it is, the Consumer Price Index (CPI) has been playing well above the Reserve Bank of India's (RBI) upper margin of 6 per cent. It was marginally better in August, when retail inflation growth eased to 6.69 per cent as against 6.73 per cent for July—a steep climb up from June's 6.23 per cent—but that's three straight months of high consumer prices.

What is of special concern here is the widening gap between the Wholesale Price Index (WPI) and CPI, says Pronab Sen, Programme Director for IGC India Programme. "Everybody is focusing on CPI, not on what is happening on the WPI front. The fact is, WPI has been in the negative territory for four months and it's only in the last month it moved slightly into the positive: 0.6 per cent. The question is, why are retail prices so high when the wholesale prices are so low?" says Sen, a former chief statistician of India.

"The standard check is whether CPI (which has a greater weightage for food items) is going up and WPI is not going up. This time, there are a lot of supply issues. The demand is still down but so is supply. Whether supply has fallen more than demand needs to be studied more closely,

N R BHANUMURTHY
Vice Chancellor of Bengaluru Dr B R Ambedkar School of Economics

The rise in inflation seems to be across the board but more so in the case of food items

as also whether production is also down and what role the lack of normal transport facilities is playing," says Alok Sheel, RBI Chair Professor, ICRIER.

Retail inflation is generally interpreted to mean excess consumer demand. In the present scenario, this may not apply: it's not because of consumers demanding too much but because of supplies being too little. And there's something that is making things costlier for you between the first point of sale (wholesale) and the last point where you buy it. Your first guess—that of there being layers of unscrupulous profiteering in between—may not necessarily be true. It could just be a reflection of supply chain disruption. So, while the product may be available at the wholesale point, companies or traders are simply not able to move it smoothly to the point of retail sale.

Unfortunately, nobody seems to be focusing adequately on the supply chain, experts say. If there's a supply chain disruption, it may not be a singular point but pervasive up and down the chain. The exact cause of this kind of high retail inflation thus remains a mystery, though there are some clues.

"There is a lot of uncertainty. There is some pick-up in both demand and supply, but unfortunately demand is more than supply due to logistic bottlenecks, which is why we are seeing a rise in inflation. It seems to be across the board but more so in the case of food items (a major component in CPI)," say N R Bhanumurthy, Vice Chancellor of Bengaluru Dr B R Ambedkar School of Economics.

Due to the lockdown, a lot of companies are stuck with large inventories. With the further opening of the economy in September and further easing of logistics bottlenecks (like local lockdowns and curbs on interstate movements), a favourable impact on the overall supply chain should be seen. Movement of labour and employment scenario too are yet to revive. On all these counts, the industry by and large feels let down as the government failed to connect the dots properly and overlooked the need to take into consideration the needs of various sectors. The outcome of the gradual unlocking

was therefore not up to expectations of the policymakers. Industry did not benefit adequately without access to markets, raw material, labour or resources.

India has been opening up in a phased manner for three months now but manufacturing and services are still to get back to full operations, says K E Raghunathan, former national president, All India Manufacturers' Association (AIMO). During June and July, units were only allowed to operate with 30 to 35 per cent staff. Most of the companies spent this time reopening operations, including checking machines, booking orders, planning local deliveries and reassessing inventory. In August, when 60 to 70 per cent workforce was allowed, the units started taking deliveries of raw materials already ordered and executing contracts in hand. "Since September we have been allowed to go anywhere, so with say engineering products, delivery, testing and other service activities are being undertaken. A lot of engineering products that had been manufactured and were pending inspection are now being cleared. The cycle of manufacturing, inspection, delivery, site testing and inspection would hopefully come to an end by the month-end for most units," says Raghunathan. He voices the apprehension that, unless new orders come by October end, many companies will be forced to lay off more workers due to lack of resources.

Tax filings in November will reveal the true state of affairs in the manufacturing and services sector. But a clearer picture would be revealed only around December 20 when the data would have been analysed.

The RBI in its annual report notes that two scenarios are envisaged: first, where lockdown-I impacted the supply side of the economy by decreasing labour supply and productivity; the second where lockdown-II saw further increases in marginal cost. Inflation is compatible with both scenarios. Plus, firms respond to a squeeze in profits by curtailing production and labour demand further. That means wages see a lower rise and the economy goes through a large contraction.

ALOK SHEEL
RBI Chair Professor, ICRIER

The standard check is whether CPI is going up and WPI is not going up...that has a different weightage

Overall, an equable state may not be attained unless manufacturing, services and agriculture all look up simultaneously. Currently, there is not much to cheer for farmers: they are faced with low returns with prices of many agri commodities, including wheat, millets, pulses and oil seeds, fetching lower than last year's prices. Late and higher-than-expected rains in August and September have also led to some crop damage, though fortunately less than last year. The global scenario is as cheerless as the domestic one too.

"There are questions on the demand side, questions on the production side and also questions on the transmission side that need to be studied. What is coming into play would have to be looked at by studying the various components of prices that are rising. Global demand is down due to COVID. What is happening in India is worse in scale, but it is more or less following global trends of lower demand and lower than desired commodity prices," says Sheel. In these circumstances, he adds, it has to be seen whether this is a case of stagflation when demand is low, inflation rate is high, the economic growth rate slows.

Farmers' distress is very real and it has to be squared with the fact that while retail prices are very high, the producer or farmer is not getting remunerative prices, emphasises Sen. In the absence of hoarding, this cannot happen. This needs probing, particularly if the supplies at wholesale end are in surplus and shortages are only at the last point of sale. In the case of manufacturers, supply disruption could mean raw material not reaching the unit, stalling efforts to keep operations going.

PRONAB SEN
Programme Director for IGC India Programme

The question is, why are retail prices so high when the wholesale prices are so low?

On the other hand, disruptions due to lockdown could also mean traders simply do not have the money to keep purchasing. During the lockdown, most traders and MSMEs have been paying wages and may have now run out of money to even restart businesses. Or may be able to do so only on a smaller scale.

Lower remuneration for farmers should put a downward pressure on food prices. As farmers are also consumers, lower income for them would mean lower consumer demand in rural areas. This could further depress prices of several commodities or lead to lower-than-expected consumption by a huge demographic.

The challenge for India is on another front also: government finances are not looking good. Already, we have crossed 80 per cent of fiscal deficit, points out Bhanumurthly, adding that even in rural development, with over six months to go, we have already used up over 80 per cent of the annual allocations. There's a jump in most expenditure heads. Credit to MSMEs and agriculture has also gone up under the stimulus package. Overall, disbursement is happening in a big way, whether to the poor or to the agriculture sector. A lot of money is being pumped into the economy, which is helping mitigate low demand. But supply constraints could be spoiling that game. The macroeconomic riddle is such that it needs many hands to solve it. Both policymakers keeping a close vigil on the indices, and administrators on the ground feeding policy with real-time information. All of that will ensure how much you have in your pocket: to spend, to meet the essentials, and to save and invest.

lola.nayar@gmail.com

ESG Investing: **A Means Of Sustainable Investing**

World over individuals are increasingly waking up to the fact that human actions have adversely impacted the environment and the nature at large. Owing to these actions, there has been drastic change seen in climatic conditions, pollution levels across land, water or air has spiked to levels which is proving to be injurious to human life. While we know what needs to be done to reverse some of the damage inflicted; such actions cannot be done by a single person. We need a collective effort from corporates and individuals to bring about this change.

And leading at the forefront here is the millennial generation. They are conscious about the impact which industries have on the environment. They want to be invested in the stocks of the companies which have good corporate governance, are responsible socially and are conscious of the impact their activities have on the environment at large. And helping such conscious individuals in their investments is ESG Investing.

What is ESG?

ESG stands for environmental, social, and governance and ESG Investing can be best defined as considering factors such as environmental, social and governance along with financial factors when making an investment decision.

E is for environmental: The environmental component requires research into a variety of elements that illustrate a company's impact on the Earth, in both positive and negative ways. Some of the points which will be under consideration here are a company's greenhouse gas emissions goals, transparency into how the company is meeting those goals, water-related issues and goals, such as usage, conservation, waste disposal etc and usage of renewable energy including wind and solar to name a few.

Vineet Nanda

S is for social: The social component consists of people-related elements like company culture and issues that impact employees, customers, consumers, and suppliers. Some of the factors which will be considered under this will be how company treats its employee in terms of pay, benefits, perks, diversity and inclusion in hiring or awarding advancement opportunities and raises, employee safety policies, ethical supply chain sourcing etc.

G is for corporate governance: Here a company will be assessed on parameters such as whether the management or board is shareholder-friendly, do the corporate incentives align with the business's success, diversity of board of directors and management team, transparency in shareholder communications, how the company has responded to shareholder lawsuits etc.

ESG investing could help reduce risk

The idea here is that when companies are filtered on the basis of these parameters, it is a given that the chances of a corporate governance issues cropping up in the portfolio is likely to be very minimal. That serves as a good starting point in terms of risk mitigation. Historically, across markets it has been observed that corporate governance issues have been one of the top most causes for wealth erosion.

The other challenge that corporates today face especially those into manufacturing is the pollution troubles their processes can cause. Many a times this has led to local area residents' activism which has led to crippling of manufacturing thereby hurting the company balance sheet in the medium term. In the event of a negative judicial observation on such development, the damage could end up have a long lasting impact on the company. Again, an ESG portfolio will be cognizant of all such developments and during the ESG filtration process such companies are likely to fall on the wayside, thereby protecting the investors.

Given these benefits, ESG aids in creating a portfolio with sustainable and robust names and consequently the risk associated tends to be remarkably reduced, thereby aiding in long term wealth creation.

ESG Globally

Globally ESG is a well-accepted and well-entrenched form of investing. There are over 3308 ESG funds globally and this number has seen a threefold rise over the past decade. The value of global assets applying ESG for investment decisions today stands at $40.5 trillion. Clearly, the numbers here reveal the extent of popularity and acceptance ESG has received in developed markets. Morningstar data shows that inflows into ESF funds in 2019 stood at a whopping $154 bn, as compared to just $21.4 bn in 2009. This seven fold growth in assets over a decade clearly signals a change in trend as far as investing is concerned.

ESG in India

Domestically, ESG is at a very nascent stage. For an investor looking for an ESG compliant investment today, especially through the mutual fund route, the options are very limited. However, things may change soon as investor awareness over ESG improves. ■

(Author is the Founder, SIFT Capital)

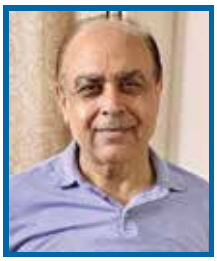
PNB MetLife

Extraordinary Performers

Abhienav Juneja

Anil Ranka

Anuj Sharma


Ashwani K. Batra

Boota Singh

Kamala H Hegde

Amar Kumar

Annapurna

Anupam Pathania

A V Koteswararao

Deepak Madhok

Kiran Jaiswal

Anil Madhok

Anshul Rajput

Anuradha Kohli

Bhawna Gupta

Divyansh Bindoriya

Mansi Kumar

Anu Puri

Ashutosh Mishra

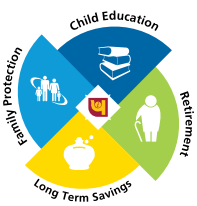
Biswajit Ghosh

Guguloth Jyothi

Mita Khamaru

Jaspreet Kaur

Naval C Mudliyar



Circle of Life

Life Insurance Solutions for:
Child Education | Retirement |
Family Protection | Long Term Savings

Optimising the best solutions in

In these challenging times, it is extremely wonderful to see individuals go putting customers first and we celebrate and honour them

PNB MetLife India Insurance Company Limited. CI No. U66010KA2001PLC028883. IRDA of India Registration number 117. Call us Toll-free at 1-800-425-6969. Website: www.pnbmetlife.com AD-F/2020-21/00353.

Top Performers
in Extraordinary Times

pnb MetLife

Milkar life aage badhaein

Navya Jain

Prashant Thakur

Ravi Kant Bhatia

Sarita

Subhasis Nath

Usha Kumari

N. R. Mahadevan

Preeti

Ritu Khurana

Shalu Rathi

Sumeet Sharma

Vandana Kedia

Nirmala Choudhry

Priti Singh

Ruchi Aggarwal

Shikha Khullar

Thulasidas Menon P

Varnica Mahajan

Nitin Jaiswal

Rahul Kumar

Ruchi Goyal

Simrann

T. P. Kushwaha

Vivishwan Malhotra

Pallavi Kiran Borse

Ramakant Dwivedy

extraordinary times so that Milkar Life Aage Badhaein

beyond the call of duty in the service of their customers. The PNB MetLife top performers resolutely believe in for their distinctive relationships. They truly epitomise the essence of Milkar Life Aage Badhaein.

BEWARE OF SPURIOUS PHONE CALLS AND FICTIOUS /FRAUDULENT OFFERS!
IRDAI is not involved in activities like selling policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

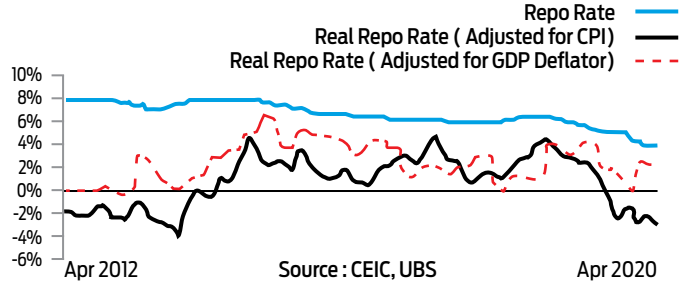
Induce Savers With High Interest Rates

Real interest rate environment is likely to become positive as inflation eases

By **Joydeep Sen**

The central bank's primary aim is to maintain a real positive interest rate, at a level that balances the objectives of economic growth (low-interest rate) and savings (high-interest rate). However, there are many other complications, for example, maintaining currency at the desired level, which is again a function of interest rates.

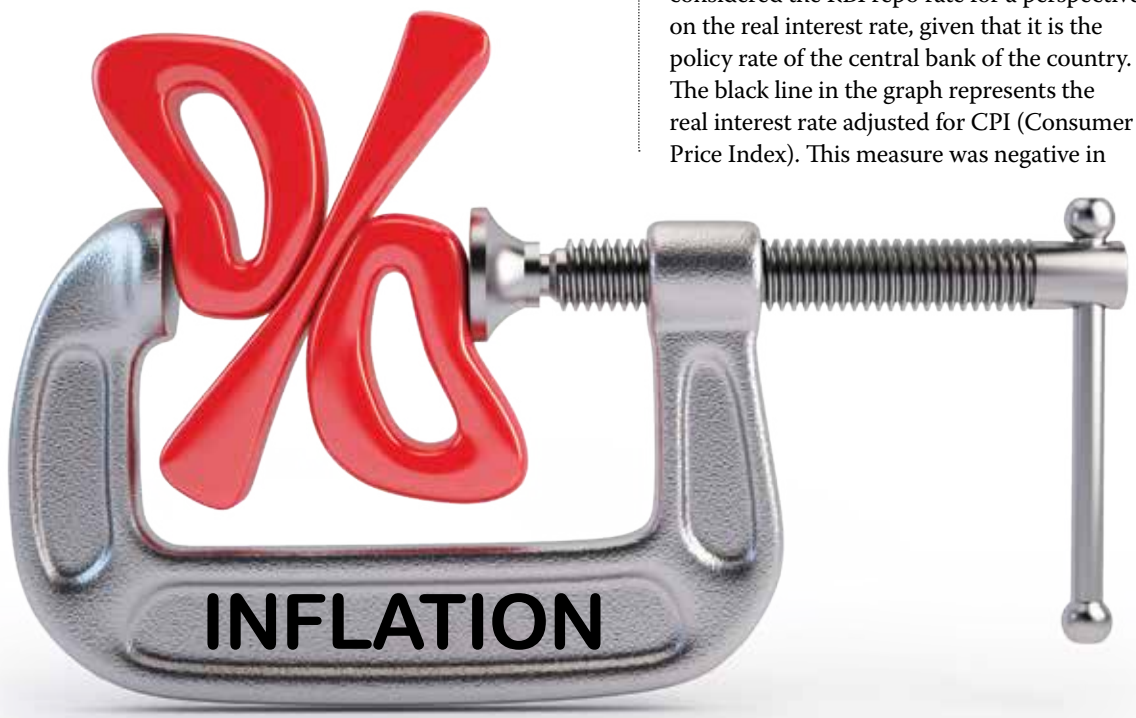
Long Term Interest Rates



Over the past decade, developed economies are facing the challenge of low growth, due to which they are following the Negative Interest Rate Policy (NIRP) in a desperate attempt to pump up the growth.

In India, the real interest rate has largely been positive, even though inflation is high by global standards. As a growing economy, we require capital, and for that savers have to be induced, by high-interest rates. In this country, interest rates sometimes become negative, due to structural reasons like cost-push inflation, and not as an intention of the RBI. In Graph I, we see the long term movement of interest rates.

The blue line, representing RBI overnight repo rate, has been easing consistently, to promote growth. Several measures are applied to gauge the real interest rate, for example, one-year treasury bill yield, one-year bank deposit rate, and arguably overnight repo rate may not be the correct measure. Having said that, in this graph, we have considered the RBI repo rate for a perspective on the real interest rate, given that it is the policy rate of the central bank of the country. The black line in the graph represents the real interest rate adjusted for CPI (Consumer Price Index). This measure was negative in



2012 and 2013, as the line was below the zero (horizontal line in the graph). Thereafter, it has been positive as inflation has been easy.

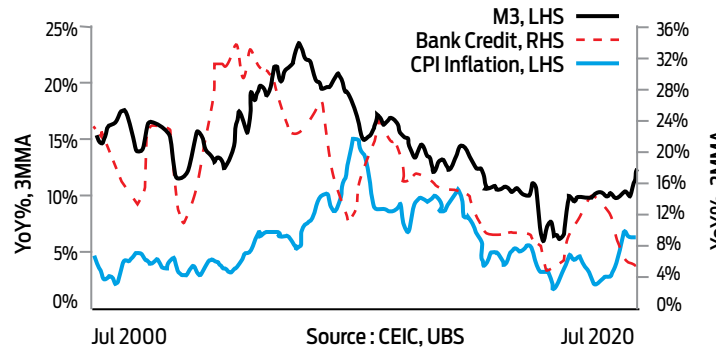
Of late, a surge in inflation has again dropped the real interest rate (adjusted for CPI) to negative. In the initial part of this calendar year, CPI inflation was driven by high food prices as agriculture was affected in the previous season due to the uneven distribution of monsoon. The supply bottlenecks kept food prices on the higher side during lockdown. The red dotted line represents the real interest rate adjusted for GDP deflator. The GDP deflator is a concept used to measure real GDP growth rate from the nominal GDP growth rate, adjusted for inflation, which combines WPI and CPI. This data point GDP-deflator-adjusted real repo rate has been positive throughout. The reason is, CPI and WPI, due to the differences in composition, produce diverse data points and the weighted average deflator is lower than CPI.

The inference from this graph may lead to the concern that the real repo rate (CPI-adjusted) is negative and this is a disservice to savers, particularly senior citizens. But it is a matter of time, as inflation is expected to ease. Monsoon has been abundant this season, crop plantation has been better than last year, and supply bottlenecks are getting cleared as lockdown is being lifted across the country. Aided by a high base effect, inflation will ease significantly. Let us now juxtapose inflation and growth rate of credit in India, in Graph II.

Going forward when the economy recovers, the interest rate cycle may turn around

In this graph, the blue line represents CPI inflation, measured on the left-hand scale and the black line represents M3 which is the growth rate of broad money supply in the economy, also measured on the left-hand scale. The red dotted line represents the banking system credit growth rate, measured on the right-hand scale. As we see in the graph, CPI inflation has been on the upswing since 2000 and peaked out in 2010, sometime after the post-global-financial-crisis surge. M3 growth rate peaked out in 2008 when the global-financial-crisis broke out. Bank credit growth rate has been through several ups and downs

Inflation & Credit Growth Rate



since 2000 but has generally been trending down as capacity creation by the private sector has not been buoyant. The conclusion from this graph, where data is measured year-on-year as 3-month-moving-average to smoothen out the fluctuations, is that when M3 is easing, it contributes to easing inflation, though inflation is subject to many factors, particularly cost-push.

It would be expected that when RBI is easing the interest rate structure with repo as the signal rate, bank credit off-take would pick up with better funding. Unfortunately, that has not been happening, as due to lower industrial credit off-take, the demand is more about working capital. Bank credit growth has been largely driven by the retail segment. Real interest rate, as measured by a one-year bank deposit rate, or even by overnight RBI repo rate, is expected to become positive with easing inflation. The entire interest rate structure which is bank deposit rate, bank lending rate, small savings rates, NBFC lending rate has been trending down for some time as the RBI is pushing the sagging GDP growth rate through easier interest rates. However, going forward when the economy recovers from the COVID-19 induced shock, the interest rate cycle may turn around. Rationally, when an economy grows, entrepreneurs require resources, including money. To incentivise savings, when fresh capacities start getting created, RBI may have to shift focus to the other side.

The author is a trainer and columnist

Changing Caps In The MF World

While Sebi's decision on multi cap funds brings cheer to investors, large AMCs oppose this move, fearing huge loss

By **Saibal Dasgupta**

A recent decision by the securities regulator came as a mild earthquake for many in the mutual fund industry and a big surprise for millions of investors as multi cap funds are supposed to contain a mix of all three major categories - large, medium and small cap shares.

The bulk of the money in equity funds comes from ordinary investors because institutions and companies usually prefer debt funds. They are also those with the insufficient capability to assess a plethora of mutual fund schemes sold through high-pressure marketing and require a greater protection from the regulator. At stake are funds that are worth at least ₹35,000 crore.

Many feel MF companies are mislabelling funds as multi cap

The Securities and Exchange Board of India (Sebi) found that major Asset Management Companies (AMCs) were investing 70 to 80 per cent of funds in just one category - shares of large and influential companies - allocating very little to other categories. Many agree with the regulator that mutual fund companies are mislabelling the funds as multi cap and thus misleading investors.

"For a long time, I have felt short-changed. I bought multi cap funds but my money was not invested in small and mid cap stocks that often stand a chance of high returns. Fund managers exhibited a clear bias for the big companies," complains Maheshbhai Patel, an investor from Ahmedabad.

But there are many who are strongly opposed to the new rule. Most large AMCs will be affected and this means a major part of the investors in multi cap funds. The AMCs will be forced to reduce their fund allocation to large cap shares and increase investments in the other two categories. The Association of Mutual Funds in India (Amfi) has asked for relaxation and the market expects some concessions from the regulator.

"This would be hugely disruptive for investors. Anyone who knows the size, liquidity and depth of India's market for small cap stocks would know there is literally no way these percentages can be put into practice in all but the tiniest of funds," says Dhirendra Kumar, CEO, Value Research, about the new rule.

"In practice, AMCs which run such

funds would either merge them with large cap funds or convert them into other types of funds," Kumar says.

Retail investors may be at an advantage as there will be some fundamental changes in the manner mutual fund money is invested. The medium and small cap shares, which have very little influence compared to their big brothers in the large cap bracket, will see some unexpectedly brisk sales pushing up their prices. What has emerged is the possibility of better returns with some exposure to the mid and small cap segment without increasing the risk significantly.

"The implications for the investors are very positive and finally investors will get a pure multi cap scheme in the true sense," says Rushabh Desai, an Amfi-registered mutual fund distributor based in Mumbai. "If re-allocated, the infusion of liquidity in the mid and small cap space will positively impact the returns of all multi cap schemes in the long run. This is because the large cap valuations are already at their peak and the mid and small caps have a lot to catch up on," he says.

Amfi figures show that the multi cap equity fund category is the second largest one with around ₹1.46 lakh crore by way of AUM as on August 31, 2020.

Earlier, Sebi rules did not prescribe any limit based on market capitalisation. Funds were allowed the flexibility to invest in any category and they exhibited a clear preference for large caps. The new rule has prescribed a minimum 25 per cent allocation to large, mid and small cap stocks each giving funds the liberty to use the remaining 25 per cent for any category of stocks. The new restrictions come into play on January 31, 2021.

"Some fund managers are already running strategies, which are very close to the new mandate and we expect them to continue doing so. A few other managers who choose to remain in the multi cap category will look to realign their portfolios as per the new mandate over the next few months," says Kaustubh Belapurkar, Head Fund Research at Morningstar India. His advice to investors is not to react immediately. "They should await further clarity from the asset managers on the intended strategy for the fund. With this information they can take a holistic call on an overall portfolio basis if that particular fund continues to fit into their risk-return and investment time horizon consideration," he says.

Investors in both lump sum and Systematic Investment Plans (SIPs), should not redeem their corpus or stop their SIP's from multi cap schemes. New investors in these areas should try to stay away from the multi cap category at the moment and look for alternate categories like focused funds, advises Desai.

In effect, the new mandate will result in a higher allocation of at least 50 per cent to the mid and small cap sectors. This will in return increase the risk in these funds. The small cap companies are more susceptible to revenue and profitability risks in an economic slowdown. Experts say that the shares of small companies will stand a great chance of sliding in a situation of economic uncertainty.

In fact, fund managers preferred large companies precisely because they offered fewer risks than small and medium players. The reputation of funds as steady providers of good returns is based on how wisely they are invested, and managers felt that large stocks would best ensure that. Some fund managers allocate as little as 5 per cent to small company stocks.

"This rule can also lead to creating a new category of dynamic equity or equity flexi cap for investors if Sebi permits, whereby the fund manager will retain his full flexibility to churn the portfolio and investors will have more options to choose from. In this way no one is impacted," Desai says.

This possibility seemed real on September 22 when Sebi Chairman Ajay Tyagi told members of Amfi, "It is not the intention of the regulator to force the industry to invest in anything. In this regard, Amfi has made its representation, which is being examined actively, and the announcement would be made soon."

The industry also expects some relaxation and have more time to implement the new rule. Another possibility is relaxation of ratios allowing fund managers flexibility to choose the category of their choice from the present limit of 25 per cent. If the flexible portion is increased, it will mean a decrease in the ratios of the other categories.

Authorities will also have to consider the tax implications. At present, funds with a lock-in period of three years are regarded as Equity Linked Savings Scheme (ELSS) enjoying tax-saving advantage. Many regard them as flexi funds from the investment perspective. The government will have to decide how it wants to treat the new category of funds that will emerge out of Sebi's new rules.

saibal@outlookindia.com

RUSHABH DESAI

Amfi-registered MF Distributor

The infusion of liquidity in the mid and small cap space will positively impact the returns

DHIRENDRA KUMAR

CEO, Value Research

AMCs would either merge them with large cap funds or convert them into other funds

How To Save More Tax

Make informed decisions, consult an expert and save on your unnecessary tax burden

By **Vishav**

It is that time of the year when most salaried individuals are filing their income tax returns. If planned carefully, one can substantially reduce the tax outgo with exemptions and deductions, allowed within the framework of Income Tax Act.

Salaried taxpayers constantly struggle between income and tax savings. While most people know about the deductions of upto ₹1.5 lakh under Section 80C of the Income Tax Act, there are various other ways to save you tax. According to Prashant Joshi, Co-Founder and Partner, Financial Research and Advisory Services, Fintrust Advisors, understanding one's taxable income is a pre-requisite, as allowances and deductions for salaried and self-employed individuals are different. One should know there are tax-saving expenses and tax-saving investment instruments and both help in optimising and maximising tax saving, he says.

Tax saving expenses like insurance premiums, children's tuition fees, EPF contribution and home loan repayment let you avail tax benefits under Section 80C. Expenses on health insurance premium paid for yourself, spouse, children and dependent parents under Section 80D allow one to go beyond the ₹1.5 lakh limit set under Sec 80C.

"Though Section 80C does offer a major tax-saving deduction, there are other sections that one can explore like 80D, 80E (repayment of an education loan), 80EE (interest payment of the home loan for first-time buyers), 80DD (for a dependant who is differently-abled), and 80GG (rent paid for accommodation), among others. One should consult a tax-planner for better understanding of these sections and their application to save the tax outgo," Joshi advises.

Tax-saving expenses and investment instruments help in optimising tax outgo

PRASHANT JOSHI

Co-Founder and Partner, Financial Research and Advisory Services, Fintrust Advisors

Consult a tax-planner to understand these sections and their application

Rajeev Srivastava, Chief Business Officer at Reliance Securities feels that among some lesser used deductions include stamp duty and registration fees on purchase of a house, funding medical expenses of parents not covered by health insurance, interest payment on loan taken from parents for a house purchase and donation to charitable institutions.

"Under the widely-used Section 80C, the tax benefit on stamp duty and registration fee on house purchase is not that common when it comes to its usage. This benefit can come in handy, particularly for those who have taken a home loan towards the financial year-end as the principal component is lower in the initial years. Maximum permissible deduction is Rs. 1.5 lakh. This deduction can only be claimed in the financial year of purchase," he says.

Parents aged above 60 years are commonly in need of recurring medicines or hospitalisation. If one finances these medical expenses, one is allowed tax breaks akin to paying health insurance premium up to a maximum of ₹50,000 in a financial year.

"Under Section 24B, deduction is allowed on home loan interest paid even if the loan is taken from parents. A deduction up to a maximum of ₹2 lakh per financial year is allowed. This is particularly useful if parents are under lower tax brackets and an interest certificate is produced claiming payment of interest," Srivastava explains.

When it comes to tax saving investments, there is a plethora of options. There are market-linked investments like Equity Linked Saving Schemes (ELSS), National Pension System (NPS) and there are fixed income tax-saving avenues like Public Provident Fund (PPF), Voluntary Provident Fund (VPF), Senior Citizens' Savings Scheme (SCSS), Post Office Time Deposit Account, National Savings Certificates (NSC), Sukanya Samriddhi Yojana (SSY) and tax-saving Fixed Deposits (FD).

According to Joshi, the choice between these two categories should be guided by one's risk appetite, ability to handle volatility, liquidity requirements and time horizon available for specific goals. "One should look at the tax-treatment of the investment options and post-tax returns to evaluate the actual benefits offered by the investment avenue," he says.

Interest income earned from FDs are taxed at an individual's applicable slab. "For an individual with a 30 per cent tax bracket, an FD with a five-year lock-in having a 6 per cent interest rate, will give post tax returns of nearly 4.2 per cent. While this is good to preserve capital, but post adjusting for inflation, it will not lead to wealth creation over long term," he argues.

However, capital gains from ELSS get the same treatment in income tax calculation as rest of the equity instruments. Short-Term Capital Gains (STCG) attract a tax of 15 per cent, while Long-Term Capital gains (LTCG) are only taxable at 10 per cent, if the gains exceed ₹1 lakh during the financial year.

According to Rajesh Gupta, Co-Founder and Director, BUSY Accounting Software, tax authorities allow corporates to structure a tax efficient salary for employees and help save through

Salary Components Reduce Tax Burden

- Employees' Provident Fund
- Leave Travel Allowance
- House Rent Allowance
- Food Allowance
- Car Maintenance Allowance
- Children Education Allowance
- Phone Bill Reimbursement
- Uniform Allowance
- Gift Voucher upto ₹5,000 a year

Some Less Used Tax Deductions

- Stamp duty and registration fees on purchase of a house
- Funding medical expenses of parents
- Interest payment on home loan taken from parents
- Health insurance premium
- Donation to charitable institutions
- Repayment of education loan
- Interest on loan for purchasing electric vehicle
- Interest from savings account upto ₹10,000

RAJESH GUPTA

Co-Founder and Director, BUSY Accounting Software

Declare investments at the beginning of the financial year to lessen tax liability

allowances as part of the income. There are numerous tax deductibles permissible under the Income Tax Act including Employees Provident Fund (EPF), Leave Travel Allowance (LTA), House Rent Allowance (HRA) and children's education allowance, among others.

Many corporates give food allowance to employees. These non-transferable coupons are tax exempt to the extent of ₹50 per meal. For the whole year, one can claim a deduction of over ₹25,000 (assuming a five day working week). Similarly, one can claim deductions on phone bill reimbursements. One can negotiate to have a part of the salary structure in the form of these components to save tax.

"Also, one of the most effective ways to ensure a higher amount of salary in hand at the last date of the month is to declare your investments promptly to the employer at the beginning of the financial year, so that the employer can consider these investments before arriving at your tax liability and the tax deductible every month," advises Gupta.

One must remember that tax-saving should not be a goal in itself. No matter how incidental tax-saving may be to one's finances, the broader financial plan should be aligned to one's risk profile and financial goals. Make informed decisions and optimise the tax outgo.

vishav@outlookindia.com

Lure Of Foreign Markets

International funds and products are attractive portfolio diversification and you can benefit by investing intelligently

BHAVESH SANGHVI

Risk-return profile of an investment portfolio is optimised through a reasonable amount of diversification in asset classes and the sub-asset classes to which the exposure is taken. In equity, this diversification may be achieved by investing in different market caps, sectors or specific themes. One such diversification that is becoming popular is international investments or foreign currency investments.

The fundamental principle - the risk profile - is quite different from Rupee-based or domestic investments. While making overseas investments, one converts Rupee into foreign currency to buy assets, say, equity. While selling or redeeming the investments the reverse conversion happens. During such conversions, forex risk comes in, depending upon whether the Rupee is stronger or weaker, in relation to the original position. If Rupee is weaker then you make a currency gain, and if Rupee is stronger, then there is a currency loss. In the case of pure Rupee-based investments, the only risk that you have is market or price risk.

There has been a consistent depreciation in the Rupee against the US Dollar and other majors, in the last three decades. While this depreciation used to be around 5 per cent in earlier decades, it has come down to around 2 to 3 per cent, per annum in the recent years. This reduction in depreciation adds to returns. Besides, major markets like the US equity have been doing well in the last few years because the economy was doing well, and corporate profitability surged. There is a significant amount of profits, which US corporates make in other countries and this also helps the local equity. The asset movement to US Dollar is a normal phenomenon as the currency enjoys a safe haven status.

There are multiple avenues in international investments like investing directly into overseas equity, dedicated mutual fund schemes, Liberalized Exchange Rate Management System (LERMS) facility to the tune of $250,000 in Alternative Investment Funds (AIFs) or commodity or real estate products.

While investing in stocks, one needs to know the scrip selected and the sector offer sufficient comfort in the long term. Quite often, one may be swayed by the price movements looking at a Tesla, Apple, or Walmart. The

Funds with exposure to the US and Europe have done better than plain US funds

recent fall in the tech stocks emanated from the feeling that they may be overvalued or relatively more expensive.

In the mutual fund space, there are US-centric funds as diversified funds, which invest into multiple countries and currencies. Some have done extremely well in the last two to three years. Even with the fall in economy and markets due to the pandemic, the markets have bounced back. The economy, which is in a bad shape, is yet to catch up with the pace of the markets in a meaningful way, may be in another three to four quarters.

The amount of $2,50,000 is a limit that is freely available for those who want to invest abroad. It is an act of diversification and the portfolio allocation may be anything between 5 to 10 per cent.

In disciplined international investing, it is useful that advice is sought from experienced wealth managers as these products differ in terms of exposure, efficiency and cost structure. Funds which have exposure to US and Europe have done a shade better than plain US funds. Products from the ETF space too have done quite well, and are cost efficient.

Investments in international funds and products are likely to rise as India integrates itself with the rest of the world, and those who diversify intelligently are going to benefit over time.

The government introduced a 5 per cent tax deducted at source on foreign remittances, which may act as a disincentive for those who make or wish to make international investments. It may be helpful if the rate is reduced to keep the momentum in international investing alive.

The author is CEO, Emkay Wealth Management

Benefits Of Investing In Commodities

One of the very first rules of intelligent investing is diversification — not putting all your eggs in one basket. While it may not completely cut out the risk, it certainly helps an investor to minimise it while maximising returns. The recent market volatility has proved that not only investing in equity involves major risks, even debt funds are not as safe a bet as one thought them to be. And if financial planners and investment gurus are to be believed, investing in commodities can certainly be an intelligent bet around such time.

There are several commodity investments options for both new and experienced traders. But the question is, what are the benefits of investing in commodities?

Diversification, of course, is one of the major advantages. If you want to diversify your investment portfolio, then valuable commodities such as gold, silver, and oil are the right choice. If your investment in the financial market is disrupted, you can secure your assets and funds in the commodity market, and vice versa.

One should also invest in commodities to protect themselves against the effects of inflation. Inflation has a different impact on commodities as compared to financial assets like stocks and bonds. Reason being inflation causes currency to depreciate. This erodes the real value of financial assets like stocks and bonds. Commodities, however, maintain their value and price even during high inflation. In this environment, investors can turn to hard assets such as gold and other precious metals.

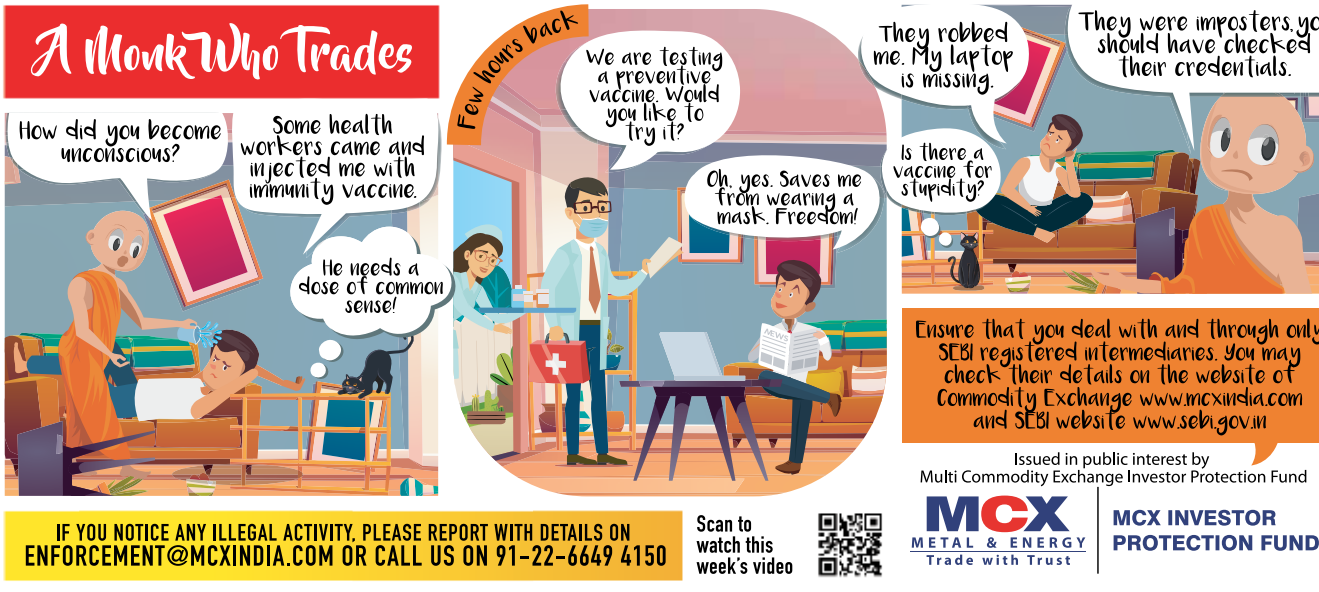
Investing in commodity market also involves a completely transparent process with a fair price discovery which is controlled by large-scale participation.

Investing in commodity market also involves a completely transparent process with a fair price discovery which is controlled by large-scale participation.

Also, one of the most significant benefits of investing in commodities is Trading Hours. The trade timings of commodity exchange like MCX are from Monday to Friday are IST 9:00 a.m to 11.30 p.m. / 11.55 p.m.* (*during US daylight saving period) for non-agri commodities. This provides a good long window to trade. Investors can catch all the action about commodity future live during the trade hours.

The attraction of commodity investment is also due to lower margin that you need to deposit with your broker. It can be close to 5-10 per cent of the value of the contract, which is much lower compared to other asset classes. Such a low margin allows the investors to take larger positions at a lesser capital.

While commodities have shown strong performance in periods of high inflation, investors should note that commodities can be much more volatile than other types of investments. The risks stemming from large price swings, notwithstanding, the commodity market throws up enormous opportunities to make profit if you plan your investments right. Thorough knowledge and constant monitoring of the market is necessary. 'Proper planning' is the mantra for investing in commodity. ●


A Monk Who Trades
How did you become unconscious?
Some health workers came and injected me with immunity vaccine.
He needs a dose of common sense!
Few hours back
We are testing a preventive vaccine. Would you like to try it?
Oh, yes. Saves me from wearing a mask. Freedom!
They robbed me. My laptop is missing.
They were imposters, you should have checked their credentials.
Is there a vaccine for stupidity?
Ensure that you deal with and through only SEBI registered intermediaries. You may check their details on the website of Commodity Exchange www.mcxindia.com and SEBI website www.sebi.gov.in
Issued in public interest by
Multi Commodity Exchange Investor Protection Fund
IF YOU NOTICE ANY ILLEGAL ACTIVITY, PLEASE REPORT WITH DETAILS ON
ENFORCEMENT@MCXINDIA.COM OR CALL US ON 91-22-6649 4150
Scan to watch this week's video
MCX
METAL & ENERGY
Trade with Trust
MCX INVESTOR PROTECTION FUND

Senior Living In Post-COVID World

There is a growing need for comfortable, curated-care homes with the pandemic leaving Independent elderly at lurch, struggling for small chores

By **Vishav**

Sunil Malhotra (name changed), a retired banker, has been living with his wife in his New Delhi bungalow ever since his son moved to Australia two years ago. With the whole nation under lockdown earlier this year, it proved difficult for the old couple to manage most home chores. Since they also needed regular medical checkups due to geriatric issues, living in a bungalow was a handicap. This is the story of a large number of senior citizens who live independently. Since they need some extra care, a real estate segment devoted to their specific needs has been gaining popularity over the last few years.

Moreover, the COVID-19 crisis, which has made many realise the need for assisted-care homes, has increased the demand for this niche segment. However, the supply of such homes is quite limited with only 55 projects by top-12 players. It is no surprise then that Max India's Antara Senior Living recently announced a ₹300 crore investment in this segment over the next four years. These senior living projects are expected to come up in Delhi-NCR, Mumbai, Pune, Hyderabad, Bengaluru and Chennai.

Amit Modi, Director, ABA Corp, and President (Elect), CREDAI Western UP, says the scale of migration of youth to metros and foreign countries for better education and job opportunities is rising. Joint families are already disintegrated into nuclear families, which makes the senior citizens crave for the right social circle. Also, they are vulnerable to crimes and health emergencies.

According to Rajit Mehta, CEO and MD of Antara, the pandemic has disrupted and created a new normal even for the senior care industry as all facilities had to be secured, appropriate interventions for mental health had to be introduced and new ways of engaging had to be thought through.

"The elderly population, especially those living alone, were forced to remain indoors without adequate support for their daily essentials and medical needs. In addition, they are one of the most vulnerable and high-risk demographic segments especially because of pre-existing conditions and comorbidities that require attention. This has led to an increased demand for dependable and professional services and solutions for seniors," he explains.

Senior care facilities require state-of-the-art infrastructure and design capabilities to cater to the diverse and evolving needs. Unlike a traditional housing society or residences for elders, these facilities are designed keeping in mind the occupant's age-specific mobility and lifestyle needs. The services provided are curated to ensure care, comfort and companionship. For example, such residences need to have rooms with no sharp edges, rounded walls, wheel chair access, anti-skid tiles, emergency button at a reachable height.

Globally, senior communities are an established and sought-after service, especially in markets such as Japan, Singapore, the US, and many parts of Europe, says Mehra. India is still at a nascent stage, but the demand is expected to pick up due to the fast-changing demographic, increasing life expectancy and the breakdown of traditional joint family and community living social systems.

According to the United Nations Population Fund and Help Age India estimate, India's aged population will touch 173 million by 2026. As such, this asset class is a significant opportunity not only for developers but also investors, feels Anuj Puri, Chairman, ANAROCK Property Consultants.

"Independent seniors are becoming a new demography in India due to

RAJIT MEHTA
CEO and MD, Antara

The pandemic has led to an increased demand for dependable and professional services

changing realities. They do not settle for traditional old-age homes as they prefer and can afford autonomy and the company of age peers in well-equipped retirement communities," he says.

There are multiple real estate players in the country that work in the senior living space including Covai Care, Ashiana Senior Living, Paranjape Athashri, Columbia Pacific, Tata Housing and Mantri Primus, among others. At the same time, there are independent players such as Antara, Golden Estates and Serene, which are offering select services to seniors. The cost of such homes is usually more than what one would spend on a normal house in the same locality. While the price range starts from ₹2,000 to ₹3,000 per square feet in tier-2 and tier-3 cities like Jaipur and Kodaikanal, the cost in a city like Gurgaon can go as high as ₹17,000 per square feet. Antara Noida apartments have a price tag of ₹7,300 per square feet costing anywhere between ₹1.08 crore to ₹2.22 crore for an apartment, depending on the size.

To get an idea of the concept and whether it suits their needs, one can start with renting the space. Another option is to go for a lifetime lease by paying a registration fee of a few lakhs and then monthly rent. However, only very few developers give these options. The third option is to buy the property shelling out anything between ₹40 to ₹50 lakh for a two-BHK upto ₹8 crore for a lavish 6,000 square feet property in a hill station.

According to Mehta, senior living communities encourage people to lead a wholesome life without feeling the guilt of sacrificing and limiting happiness just because one has crossed a certain age. In addition, most seniors in India have age-related health issues that need greater attention and monitoring. Senior living facilities are equipped to cater to this need.

What Features To Look For:

- Wheelchair access
- Housekeeping services
- Emergency services
- Curated engagement activities
- Nutritionally assisted meals
- Healthcare services
- Necessary medical equipment for post-op care

"Our first community at Dehradun, for example, is managed by a team of over 200 highly trained and dedicated professionals. Curated engagement activities, nutritionally assisted meals and an expansive wellness area ensure that all residents remain physically and cognitively stimulated. Equipped with all necessary medical equipment, it is possible to offer any kind of post-op care to our residents at the community itself," he explains.

Sunil Malhotra is now considering investing in such a home. But the question is how to go about it. First and foremost, it is important to choose a trusted developer and operator. It is critical to live in a community-like environment.

Costs and place are two important considerations that need attention, advises Mehta. One should ask questions such as: would I be comfortable in that region? Is the infrastructure senior friendly? What are the ongoing monthly costs? Is there enough space inside the property to move around? What is the quality and nature of healthcare services being offered? Whether it offers recreational activities? What is the kind of food being offered? Can my family visit? How often and how comfortable it would it be for them? It is important that there is ample opportunity for social interactions in the company of like-minded people.

vishav@outlookindia.com

Emerging Trends Post COVID Era

Embracing technology has enabled everything - from selling insurance policies to verification to claim settlement - in real time

By **Nirmala Konjengbam**

Year 2020 will be remembered for one big thing - bringing everything to a screeching halt - be it health or economy. September 28, 2020 saw India with over 60 lakh COVID cases and about a lakh dead. While majority is recovering from the virus, fresh cases to the tune of 80,000 to 90,000 every day is indeed a thing to worry. Life, like time and tide, waits for none and it is back on track despite the virus spreading like a wildfire.

Being a health crisis it has managed to wake the insurance sector up with a jolt - witnessing a massive surge in the number of claims for COVID-19 treatment. According to ICICI Securities, just health insurers could end up receiving COVID-19-related claims worth more than ₹10,000 crore in 2020. A recent survey by Max Bupa, shows 71 per cent of the people are considering health insurance as a "necessity" as against 10 per cent, before the pandemic.

The pandemic has led to a rapid surge in demand for life, non-life and term insurance. Where there is no certainty of life, people are opting for term insurance to protect near and dear ones.

A data collated by insurance aggregator Policybazaar.com reveals more people going for term insurance with a cover of ₹1 crore or more to protect their families financially.

The report says, "Calculating data for those who bought ₹1 crore term cover, we found out that 50 per cent of the customers bought during April to August 2020. This reflects how people are investing in higher cover policies that are available at very affordable prices of around ₹1,000 per month only."

With the rise in casualties, it is important to have a term insurance plan that covers the financial needs of the family in case of death of the person insured. If the individual is unmarried, the term insurance will ensure financial needs of ageing parents and if married, then the plan will take care of dependants like spouse and children. It is an investment for life and this is the apt moment to opt for for term and health

insurance cover. The Insurance Regulatory and Development Authority of India (IRDAI) has asked non-life companies to mandatorily offer standard COVID-19 health insurance policies. It has allowed both life and non-life companies to offer optional defined benefit plans and short-term health insurance plans to ensure more people are insured against COVID-19-related medical expenses at an affordable rate.

GOING DIGITAL

One legacy of the crisis could be that it actually propelled insurers to go digital as the new normal did not allow any physical contact, be it in selling insurance, validating documents or settling claims. According to a KPMG report, "Actuarial modelling software, for example, often sits on individuals' computers, as there are deemed to be security issues with putting it in the cloud. But with today's cloud services offering enhanced security protocols, perhaps the time has come for more of the industry to make the move."

Today one can buy a policy and access information through chat bots, WhatsApp and video calls, without having to step out.

INSURANCE CLAIMS:

Quick disbursal of insurance claims is the need of the hour. As the new normal doesn't allow physical paper-based claim settlements, insurers swiftly moved to digitising the process. All service request facilities have been made online.

One can raise a claim and settle the same though the website, insurer's app or WhatsApp.

HDFC Life connects with customers through WhatsApp to raise a claim. The process is simple. The WhatsApp bot takes customers through the whole digital claim journey. "Based on the nature of the claim the customers are guided by the WhatsApp bot for the documentation process. Majority of our non-investigation claims can be completed over WhatsApp bot within five minutes with minimal documentation," says Parvez Mulla, COO, HDFC Life.

To simplify the process and expedite payment, insurers are settling claims on soft copies of bills. Customers are only required to fill a claim form on either website or mobile app and upload a list of documents such as discharge summary, diagnostic tests and reports, treatment charges and doctor's prescription for COVID-19-related claims.

"With COVID-19 picking up pace in the country, the health insurance sector has seen a sharp rise in the number of COVID-related claims over the past few weeks. So far, at Max Bupa we have received about 3,425 claims, with an average claim size of ₹2 to 2.5 lakh. As a responsible health insurer, we continue to stand by our customers in these difficult times and prioritise all such claims. Over 98 per cent of the COVID-19 claims we have received so far, have been authorised within 30 minutes," adds Anika Agarwal, Chief Marketing Officer and Director-Digital Business, Max Bupa Health Insurance.

ANIKA AGARWAL
Chief Marketing Officer and Director-Digital Business, Max Bupa Health Insurance

We have received about 3,425 claims, with an average claim size of ₹2 to 2.5 lakh

In the era of multimedia phones, mobile apps assume a lot responsibilities and insurers are providing almost all the services through apps. In cases of claims, customers could use the apps to raise and track claims.

"We have introduced self-service claims registration and approval process on our 'Caringly Yours' mobile app. This has been done for both motor and health insurance. Simple steps, like keeping the claimant informed about the status of the claim through the mobile app and other communication mediums like SMS, email, customer service bot, ensure customer satisfaction," mentions Sourabh Chatterjee, President and Head – IT, Web Sales and Travel, Bajaj Allianz General Insurance.

A few insurers have started initiatives where claims are settled

IRDAI GUIDELINES

Insurance regulator IRDAI was also quick to come out with guidelines to ensure COVID-19-related claims are settled expeditiously.

Insurers have been asked to maintain continuity of business operations through possible alternate modes including telephonic and digital contact. They have been instructed to display alternate arrangements for premium payments, renewal, settlement of claims and lodging of other service requests on their respective websites. According to IRDAI, all claims reported under Coronavirus shall be handled as per the following norms:

- Where hospitalisation is covered, insurers shall ensure that the cases related to COVID-19 shall be expeditiously handled.
- The cost of admissible medical expenses during the course of treatment including treatment during quarantine period shall be settled in accordance to the applicable terms and conditions of policy contract and regulatory framework.
- All claims under COVID-19 shall be thoroughly reviewed by the claims review committee before repudiating the claims.

To ensure all health insurance claims are responded to quickly, insurers should to comply with the following timelines:

- Decision on authorisation for cashless treatment shall be communicated to the network provider hospital within two hours from the time of receipt of authorisation request and last necessary requirement from the hospital either to the insurer or to the Third Party Administrator (TPA), whichever is earlier.
- Decision on final discharge shall be communicated to the network provider within two hours from the time of receipt of final bill and last necessary requirement from the hospital, either to the insurer or to the TPA, whichever is earlier.

at the customer's doorstep, if the claimant is not comfortable with the digital route. Tata AIA Life Insurance is providing such a service. A video conference facility is also available for detailed investigation of claim documents.

"Another unique initiative of ours - Easy Claim - helps deliver claim services at the claimant's doorstep. Our representatives visit the claimants to assist them with the necessary claim-related documentation so that the nominees do not need to make trips to a Tata AIA branch to register a claim. We offer them services at their doorstep," says Yusuf Pachmariwala, EVP and Head of Operations, Tata AIA Life Insurance.

SOURABH CHATTERJEE
President and Head – IT, Web Sales and Travel, Bajaj Allianz General Insurance

We have introduced self-service claim registration and approval on our mobile app

FINANCIAL SUPPORT:

Apart from easing up the claims process, insurers are also proactively providing larger financial help to customers during crisis. Some insurers have raised the sum insured while insurers like ManipalCigna Health insurance have waived off the mandatory 20 per cent co-payment obligation for COVID treatment of senior citizens.

Co-payment in health insurance is an arrangement in which the policyholders need to pay a portion of the medical expenses on their own. The remaining amount will be paid by the insurance company. ManipalCigna Health Insurance has also launched 'WeCare4U' initiative for senior citizens, to help improve their awareness and self-care for good health, thereby protecting them against COVID-19 and other infectious diseases.

If you are a customer, all you need to do is to get in touch with your respective insurer, either through the website chat bot or call centre, and avail the desired service.

The stiff competition in the market has only created an environment where insurers are always vying to ensure hassle-free experience for customers.

The claims, which usually involved a lot of paperwork with a lengthy process, have undergone a stupendous makeover. It can now be completed from home in no time. Settling claims also include investigation to avoid fraudulent practice. It is done digitally in real time to ensure highest order of customer satisfaction.

nirmala@outlookindia.com

Insure And Remain A Superwoman

> "Given the myriad advantages, a Critical Illness policy must be the top priority for every prudent woman who goes an extra mile to care and plan for her families' health and wellbeing. A health policy must provide a woman the most needed treatment which would, otherwise, come from life savings. Owing to the vast number of benefits provided by health policies today, insurers aim to help women sail through financial and family emergencies and keep their role as a 'Superwoman' intact."
>
> **Mr. Ravi Vishwanath**
> **President HDFC ERGO General Insurance**

Why women need a health insurance policy: Modern Indian women are multi-taskers, effortlessly managing workplace demands as well as household chores. Unfortunately, as a consequence of such diverse and pressing responsibilities, women often become victims of stress and other lifestyle diseases. With the exponential rise in the number of women who are financially independent, supporting their families and scaling corporate hierarchy; it is important to protect themselves from major health-related risks.

Here are six reasons which make health insurance a must have for women:

Cancer: According to a study by The Lancet Oncology, a well-known medical journal, globally an alarming number of women are diagnosed with cancer compared to men. Breast, cervical, ovarian and uterine cancers together account for more than 70 per cent of cases reported among women, as per the National Institute of Cancer Prevention and Research.

Cardiovascular diseases: The Global Burden of Diseases revealed that Cardiovascular Diseases (CVDs) are one of the leading causes of mortality in India with Ischemic heart diseases and stroke being predominant factors responsible for more than 80 per cent of CVD deaths.

Lifestyle diseases: Multiple factors such as hectic lifestyles and work-related stress are resulting in women suffering from depression and anxiety. These can also be attributed to changes in hormone levels that may occur during puberty, pregnancy and menopause. Moreover a sedentary lifestyle, rising stress, unhealthy diet, lack of nutrition and high consumption of junk food are affecting women in urban areas. Ailments like diabetes, obesity, respiratory issues are now equally rampant among young women.

Complications in pregnancy and childbirth: Pregnancy and childbirth complications are also on the rise these days. It may even force a woman to forgo her professional life. This puts tremendous pressure on the financial and mental well-being of many families.

Accidents: According to a study by National Crime Records Bureau, Indian women are more prone to household accidents and injuries compared to men. Alarmingly, out of every five cases of burn victims in India, four are adult women.

Comprehensive cover: On a sublime level, women must choose a comprehensive policy that covers them from all risks which includes a worldwide cover and value added services like Chronic Management Programs as well as access to dieticians and wellness coaches. ■

HDFC ERGO
Take it easy!
HIT & FIT HEALTH INSURANCE
my:health Suraksha
PRODUCT BENEFITS
Sum Insured Rebound Cover
Home Health Care*
my:health Active#
Preventive Health Check-up Booster
Pre & Post Hospitalization Expenses (60 & 180 days respectively)
hdfcergo.com
1800 2666 400
HDFC ERGO Mobile App
*Available in selected cities. #Our my:health mobile app and Wellness services intention is not to provide specific medical advice but rather to provide users with information to better understand their health and their diagnosed disorders. HDFC ERGO General Insurance Company Limited. IRDAI Reg. No.146. CIN: U66030MH2007PLC177117. Registered & Corporate Office: 1st Floor, HDFC House, 165-166 Backbay Reclamation, H.T. Parekh Marg, Churchgate, Mumbai – 400 020. For more details on the risk factors, terms and conditions, please read the sales brochure/ prospectus before concluding the sale. Trade Logo displayed above belongs to HDFC Ltd and ERGO International AG and used by the Company under license. UIN: my:health Suraksha - HDFHLIP20049V041920. UID: 41B9.

Insure With A Two-In-One Plan

A joint term insurance plan is best option to secure the future of your family, spouse and you

By **Nirmala Konjengbam**

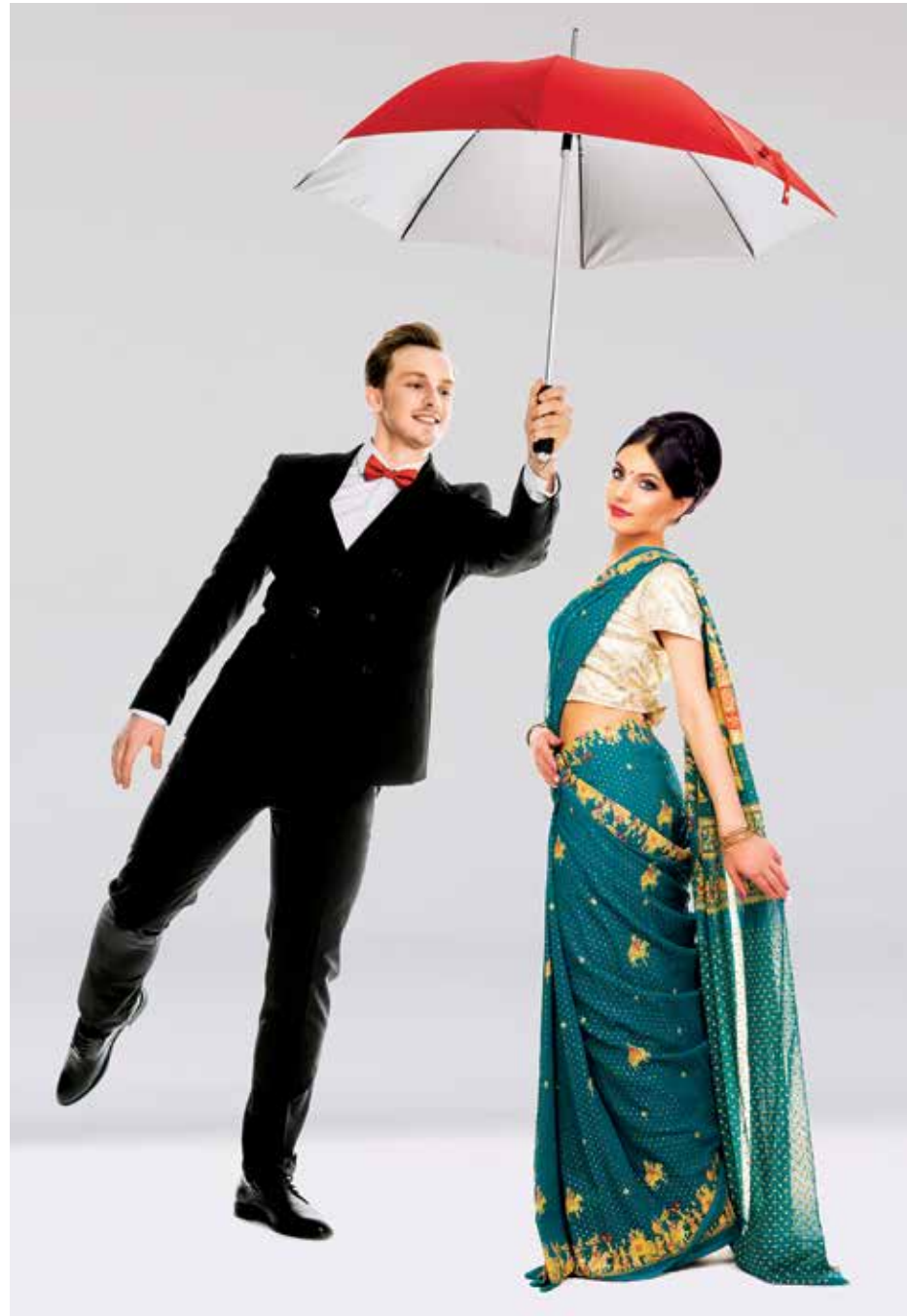
When both spouses share the household income and expenses, there is indeed a need to insure their lives. Same holds for parents and children or business partners. And if this can be done jointly, there is the benefit of a single premium, among others.

The insurance industry has evolved over the years to cater to the positive changes in the society. One of the most popular offerings of the industry has been the term plan. It is a product designed to cover the primary breadwinner of the family but now we are seeing double income households where both members contribute to the income of the family. Even when one member is not earning, it is crucial to cover the lives of both through a joint life term plan.

What is a joint life term plan?

Just like a term insurance plan, joint policies provide life cover for both partners. A couple opting for joint term plan would not have to buy single individual term policies. This means a single premium amount for the cover of two people. While it's primarily designed for married couples, business partners can also take it to protect their work. A parent can opt for a plan with child. Such a plan can help in taking care of future expenses of education or living.

"A joint life term plan is most preferred in the event where a married couple is looking at buying a term plan simultaneously. In case of a joint term plan, both the partners are entitled to individual covers, and also avail discount on the overall premium paid for the plan," says Sameer Joshi, Chief Agency Officer of Bajaj Allianz Life Insurance.



One can add riders like terminal illness or accidental death

Key features and benefits of joint life term plan

The biggest feature of a joint policy is also its biggest benefit. A single cover for two lives helps in big savings on premium and this gain can be enjoyed throughout the premium payment term. It means only one policy has to be managed with less hassle of tracking .

"A joint life policy comes around 25-30 per cent cheaper than two individual policies with the same specification. Joint term plans are advisable for couples who wish to buy term cover within their budget line and prefer ease of managing single policy rather having multiple policies serving the same purpose", adds Anil Kumar Singh, Chief Actuarial Officer of Aditya Birla Sun Life Insurance.

There are different variants of joint term plan available in the market. The most important difference being single or dual death payouts. In some policies, only one death payout would be made and it would be done after expiry of one of the policyholders and the cover would expire after that. However, there are policies which offer dual payouts, at the time of death of both policyholders.

So even after the death of the first policyholder the cover would continue. Such a policy helps the family and nominee to better adjust to loss of family members. Dual payout policies also offer premium waiver option after death of first insured. In a few policies such an option is built-in or can be acquired by paying extra.

It is important to note that in dual payout policies the sum assured for primary and second policyholders could be different depending on the policy. The sum assured for spouse is generally 50 per cent of that of primary policyholder. However, this could vary based on insurer and policies.

The following example should provide more clarity on savings due to joint term plan. For instance, a 30-year-old non-smoker male pays ₹10,250 (excluding GST) for a 30-year-policy term with a sum assured of ₹1 crore, while a 30-year-old non-smoker female pays ₹5,392 (excluding GST) for a sum assured of ₹50 lakh. Hence, in this case the couple would pay ₹15,642 for ₹1.5 crore sum assured. On the other hand, if the same couple buys a joint term plan cover of ₹1.5 crore sum assured with dual payout of ₹1 crore and ₹50 lakh respectively, the yearly premium would be only ₹14,230. This means a saving of ₹1,412 on yearly premium.

A home-maker or an individual with no income cannot purchase a traditional term plan but can get life cover under a joint policy. However, the sum assured would not be same as that of the primary insured. In many cases, it is 25 per cent of the primary policyholder's applicable sum assured.

The benefit of such a policy is not limited to life cover and there are additional riders and features that enhance the financial security. Some policies offer a regular income to the surviving spouse even after the payment of death benefit, which is generally in addition to the death payout.

Policyholders can further add riders like critical or terminal illness and accidental death benefit to ensure a higher payout and financial support at the time of an unforeseen crisis. An extra payment would have to be made for adding riders.

"If riders are being added into the term plan, it is extremely important to understand what additional benefits these provide as well as the impact they have, if any, on the base benefit so that appropriate decision can be taken. Each of them have their own specific purpose and are useful for

Double Pay-Out Joint Term Plan**

The thumb rule is to buy a joint term plan as early as possible to save on premium payments

Age (same age couple)	Sum Assured	Policy Tenure	Cover Upto 70 Years	Premium (₹)*
25	1.5 cr	35	70	15,590
30	1.5 cr	30	70	17,072
35	1.5 cr	25	70	19,267
40	1.5 cr	20	70	23,680
45	1.5 cr	15	70	29,859

** Premium difference based on couple's age (non-smoker) *It is an estimated cost and actual premium may vary

ANIL KUMAR SINGH

Chief Actuarial Officer, Aditya Birla Sun Life Insurance

A joint life policy comes around 25 to 30 per cent cheaper than two individual policies

AKSHAY DHAND

Appointed Actuary, Canara HSBC OBC Life Insurance

If riders are added, it is important to understand the additional benefits and impact

specific situations," notes Akshay Dhand, Appointed Actuary of Canara HSBC OBC Life Insurance.

Same as individual term plan, buyers would also enjoy tax benefits under Section 80C and 10(10D), of the Income Tax Act, 1961 on joint term plan premium.

Things to keep in mind before buying joint term plan

Whether a single or dual payout policy, it is important to work out the correct amount of cover so that the nominee or the surviving spouse would require to maintain the same lifestyle even after the death of one of the policyholders. All the factors including the future expenses, financial responsibilities, liabilities should be considered while deciding the sum assured.

"Whether it is joint term plan or individual term plan, the most important aspect to keep in mind is one's family's financial responsibilities, which are dependent on the individual and the spouse. Accordingly one can decide the amount of cover and policy term," says Singh.

It is always advisable to buy the policy as early as possible. It helps you to stay secure for larger number of years. Also the premium amount is always lower for younger couples

"Young married couples with children should consider buying a joint term plan keeping the children as the beneficiaries. Besides, buying at a younger age offers the policy holder a price advantage," says Amit Palta, Chief Distribution Officer of ICICI Prudential Life Insurance.

It is extremely important to clarify the benefits of a plan before purchasing it to ensure there are no surprises at a later stage. You must know whether your policy has a single death payout or dual. Does it have an built-in waiver of premium rider and if not, you can get it added at an extra cost. Similarly, other riders should be studied before making the purchase.

What happens in case of a divorce?

Various options are available to a couple in case of a divorce and it depends on the structure of the policy. Some plans have the option to divide the joint plan into individual policies. However, there are plans where alteration is not allowed. In such a case the partners could decide to continue the plan or discontinue it.

"The treatment of a joint life policy after divorce or annulment differs from product to product, as per the underlying terms and conditions.

Some policies offer pay-outs at the death of both the insured partners

SAMEER JOSHI

Chief Agency Officer, Bajaj Allianz Life Insurance

A joint life term plan is preferred where a married couple is looking at buying a term plan

In certain cases, it is possible to continue the policy as a single life policy. However intimation to the insurer is mandatory," adds Joshi.

Drawbacks

An individual plan would allow a family to have higher cover as compared to a joint policy, where the sum assured for secondary policyholder could be only some percentage of that applicable for the primary policyholder. In Individual policies, policyholders could select riders according to their choices, while in joint policies, the benefits are same. In case of a single death payout, the spouse would end up without life cover after the death of the spouse and buying a new policy at an older stage could prove to be extremely costly.

It could be a problem to maintain the policy after divorce if the option of alteration into individual policies is not there.

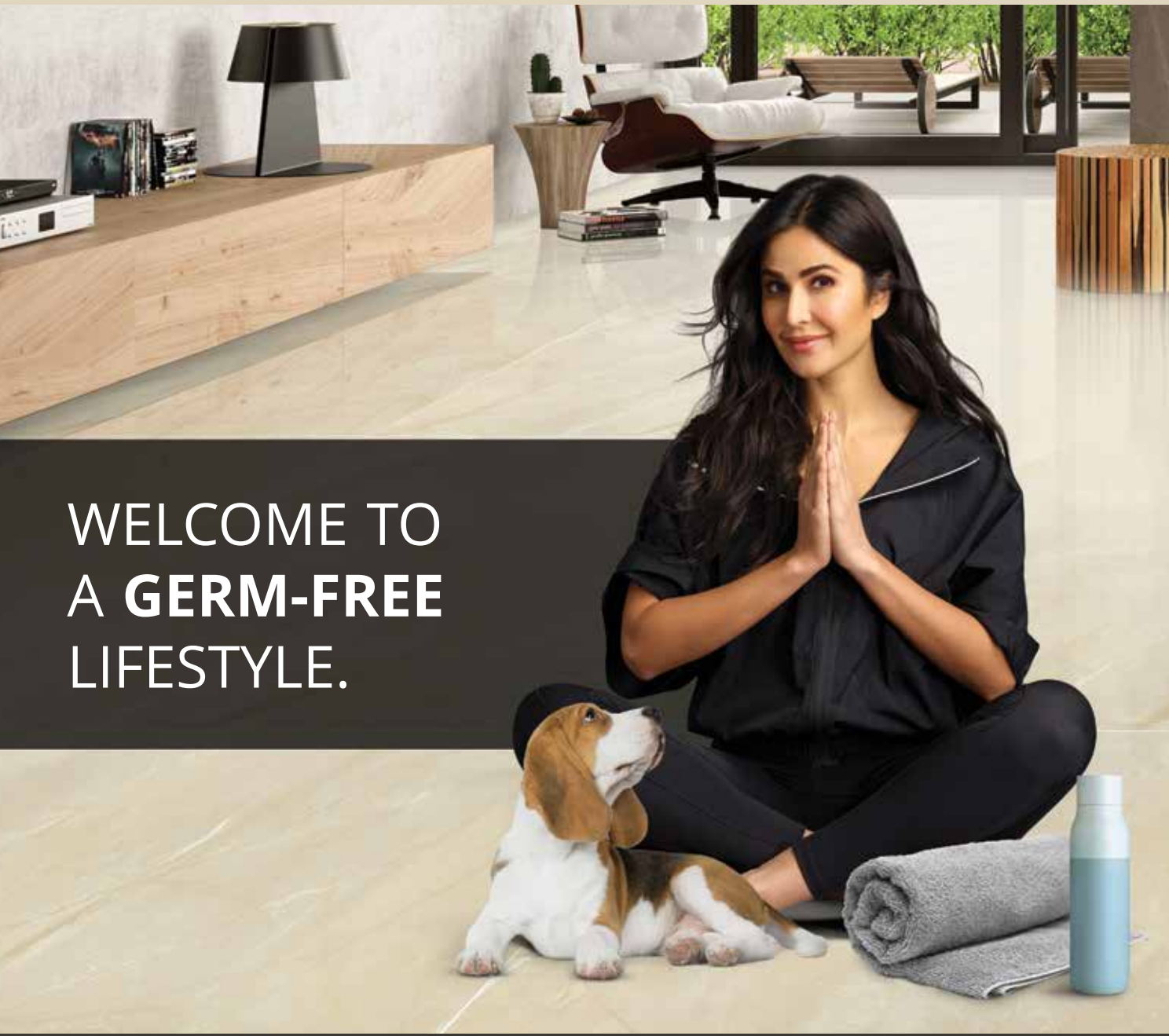
If affordability is not an issue, one can always opt for single term plans, as a higher cover can be acquired together. It also provides freedom to have desired riders according to an individual's choice. A joint term plan on the other hand provides the convenience of managing two policies at the time of one. But more importantly, it provides the financial leg room to afford cover for two lives for a more secure future. The value for money enhances further after addition of riders.

nirmala@outlookindia.com

GERM FREE
KILLS > 99% GERMS#

GOLDEN PEACOCK AWARDS
WINNER
Innovative Product/Service 2020

JOHNSON®
Not just tiles, Lifestyles.®



WELCOME TO A **GERM-FREE** LIFESTYLE.

Presenting a wide range of germ free wall & floor tiles from Johnson that ensures health, hygiene and safety at one go! Infused with the germ free technology patented by Johnson close to a decade ago, these tiles can be used across a broad spectrum of spaces, including residential spaces, schools, hospitals & healthcare facilities.

Available in: 160x80 cm, 120x120 cm, 120x60 cm, 60x60 cm, 60x30 cm, 45x30 cm, 40x40 cm, 30x30 cm & 24x7.5 cm.

Winner of the Golden Peacock Innovative Product/ Service 2020 Award for the Germ Free range of products.

To explore the complete range log on to **www.hrjohnsonindia.com**
Toll Free: 1800-22-7484 | tiles.customercare@prismjohnson.in

* H & R Johnson's GERM FREE tiles are made using patented Silver- ion based Antimicrobial Compound. # As pe JIS Z 2801:2010 Test Protocol.

Keep Your Furry Friends Safe

With a rising pet population, the need for their insurance is turning into a necessity

By **Rajat Mishra**

India is home to one of the fastest-growing global pet markets. The pet population has grown to 10 million at the last count and is still consistently rising. When we plan to welcome a pet into our lives, we bury ourselves in the thought of buying the best pet toys and foods to keep them under an umbrella of love and care, but we often forget to focus on pet insurance and how it might be important both for us and our pet. Let us unfurl the benefits which you will receive with the insurance policy.

Just like ordinary health insurance meets the medical exigency for you and your family, now insurers are eyeing pet insurance and are coming up with various insurance schemes that are warmly welcomed by people.

According to the India Pet Food Market Forecast and Opportunities 2019 report, the Indian pet care market is pegged at $1.22 billion with an annual growth rate of 35 per cent.

After observing the statistics, private non-life insurer Bajaj Allianz General Insurance launched a insurance policy that covers pet dogs over their lifetime from age 3 months to 10 years. The premium starts from ₹315 per annum. The insurer also announced that medical tests are not mandatory even at higher ages. The product covers the treatment of any injury/surgery or mortality resulting from any accident from the moment of policy issuance, without any waiting period. It is not the only policy that covers pets.

New India Insurance offers dog insurance schemes wherein dogs aged from 8 weeks to 8 years can be insured. The basic premium charge is 3 to 5 per cent of the sum insured. It may differ from one insurer to another based on the age of the pet, size of the sum assured, breed, third party liability coverage, and the accidental rider. Under this, dogs are also insured against death due to accident or disease contracted during the period of insurance subject to usual terms. However, certain exclusions include disease contracted before and within 15 days of commencement of risk.

The New India Insurance offers a vast range of insurance such as goat insurance, sheep insurance, pig insurance, cattle insurance. United India Insurance provides an insurance policy for all exotic and indigenous breeds of animals. Insurers like New India Assurance, National Insurance, and Oriental Insurance cover death due to diseases and accidents for pets including dogs, cats, horses, and other livestock. However, diseases such as rabies and distemper are typically excluded. The policy of Bajaj Allianz's product consists of one mandatory cover (Base Cover) namely surgery expenses and hospitalization cover and six optional covers. Small breeds like Pugs and medium breeds like Spitz are well covered by the policy.

The Indian pet care market is pegged at $1.22 billion

Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance says, "Like we buy a health insurance cover for our family members, we should buy one for our dogs as well so that they can have access to quality health treatment when they are unwell." The entry age for dogs will be 3 months onward till the age of 4 years for giant breeds and 7 years for small, medium, and large breeds. The exit age is 10 years for small, medium, and large breeds, and till the age of 6 years for giant breeds. The company will settle claims on a reimbursement basis.

Once you are ready to buy a pet insurance policy, don't forget to check whether the plan is approved by IRDA and also, whether a third-party liability risk is covered or not.

rajat@outlookindia.com

TAPAN SINGHEL

MD & CEO,
Bajaj Allianz General Insurance

We should buy insurance for our dogs so that they have access to quality treatment

ICICI direct.com
Investments on Your Fingertips

BECAUSE EVERYONE HAS A UNIQUE FINANCIAL DNA.

One Click Investment helps you find the mutual fund portfolio that matches yours!

Now invest in carefully crafted and research backed baskets of mutual fund schemes, that help you power your investments. These baskets comprising of 100% equity to 100% debt, have been specially designed keeping you in mind.

To know more about One Click Investment,

Log on to www.icicidirect.com

ICICI Securities Ltd.

ICICI Securities Ltd. (I-Sec). Registered Office of I-Sec is at ICICI Securities Ltd., ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai - 400 020, India. Tel. No.: 022 - 2288 2460, 022 - 2288 2470. AMFI Regn. No.: ARN-0845. **Please note that Mutual Fund Investments are subject to market risks. Read the scheme-related documents carefully before investing, for full understanding and details.** The contents herein above shall not be considered as an invitation or persuasion to trade or invest. Investors should make independent judgment with regard to suitability, profitability, and fitness of any product or service offered herein above. I-Sec and affiliates accept no liabilities for any loss or damage of any kind arising out of any actions taken in reliance thereon.

Plan With Trust

Private family trust offers a sustainable and hassle-free solution for your estate planning

NEHA PATHAK

Creating wealth does not merely end with creation of wealth. It also entails valuing and respecting it in ways it is entrusted or invested. This is the real test of how wealth grows and receives due importance in your life. Estate planning is an effective approach. It is a reflection of the fact that you care for your loved ones when you are not around.

Estate planning is a process in which an individual's estate is transferred during or after lifetime. Many choose to write a 'Will' as it means to achieve their objectives. One should create a 'private family trust' to achieve the same objectives in a relatively smooth manner.. Here are a few reasons why a Trust can address your estate planning goals better than a Will:

Smooth handover:

A Will is expected to go through the legal process of obtaining 'probate' in order to get the assets transferred in the name of the beneficiaries mentioned, whereas in case of a private family trust, the assets are held in the name of trust. Hence the handover of possession can happen in a frictionless manner.

Sustainable solution:

A private family trust starts functioning during the lifetime of the creator of the trust and goes beyond to serve the family members. There is no need to run around at every milestone events such as birth, death, separation or marriage in a family or any other changes in family structure.

Asset ring-fencing:

When assets are passed on by the Will, they stay in your family's name. Control of such assets can be lost by family members in case of claims by creditors or outsiders. But, if the assets are held by a Trust then such claims cannot snatch assets from your loved ones. In case of divorce/separation or malicious claims by some family members too, the assets remain in safe custody of the Trust and the family continues to enjoy the benefits arising out of the assets.

Personal law:

In India, in case of intestate succession, personal laws decide the distribution of assets. To avoid such a situation, a private family trust can help family members enjoy the benefits of your assets without the hassle of dealing with personal laws.

For special needs:

There are differently-abled people or kids with special needs. A private family trust with institutional trustee or external trustee with some specific expertise is a good solution. They can be taken care of.

Right investment:

A private family trust can help you decide an investment policy—both for physical as well as financial assets. Such an investment policy can be administered over a long period of time for the benefit of the family. As the assets are pooled together, economies of scale kick in and external professional expertise can be employed to manage money better.

Estate duty and inheritance tax:

In 1985, estate duty was abolished in India. However, there is a possibility that estate duty may be reintroduced in one form or the other. In such a case, the legal heirs may have to pay to the government a fraction of the market value of the asset inherited. If the assets are transferred to the Trust then the impact can be minimised. For the non-resident Indians who have family assets in India and live in countries where inheritance tax is applicable, a private family trust becomes an effective tool.

Confidentiality:

A private family trust helps maintain confidentiality of an individual's estate plans and also distribution to the family members. A trust with professional institutional trustees can be very effective for this purpose.

Charity:

If giving back to society is on your mind, then you can carve out some assets for it under the Trust structure or have a certain percentage to be apportioned out of the total trust income. Such a structure leads to effective implementation of charitable initiatives beyond one's lifetime.

The author is Senior Group Vice President -Trust & Estate Planning, Motilal Oswal Wealth Management

Want to buy good stocks at a discount? Invest in Value Funds

Salil Kothari

Be it the neighborhood store or ultra-modern retail outlet, bargaining often leads to getting best deals. The premise here is that the seller is not quoting a price that is favourable to the buyer. Hence, negotiations happen. Investing in stock market is no different. The only point of difference here is that things are online and it is a bit tough to negotiate with potentially thousands of faceless investors sitting around the country trading by 'ticks'.

For a seasoned investor there are always pockets of bargain available in the market. They often happen to be spaces which are overlooked, avoided and unloved by the crowd at large. However, for a long term investor therein lays the opportunity to make outsized gains. This is because you get an opportunity to buy a good company at a price which is less than the intrinsic value of a company. In other word, you get a good bargain which many in the Street may be looking away from those pockets.

However, spotting such opportunities for a retail investor may prove to be a tough and time consuming task. Furthermore, one may not have the resources to find out the true value of a stock. This is where mutual fund comes to the rescue. Investors who are looking for such opportunities can opt for the value category schemes where one gets an opportunity to own stocks which are thoroughly vetted by market experts but are available at a bargain.

Finding Value

Warren Buffett is one of the famous value investors the world of finance has seen yet. His take on value is best summarized in this quote – 'Price is what you pay; value is what you get.' Is the market price of a stock its true value? Not necessarily. Without understanding the intrinsic value of any object, you will be susceptible to deals which are only good for the sellers.

Margin of Safety

Value oriented equity mutual funds look for stocks which offer 'value' at the price it is quoting. The stocks in a value portfolio would be names which are available at a discount to its intrinsic value. But, how much should be the discount? This is where 'margin of safety' comes in. Like it sounds, margin of safety indicates the difference between intrinsic value of a stock and market value. Higher the difference between intrinsic value and market price, higher is the margin of safety for an investor. Why would a stock worth Rs 10 be selling for Rs 4-5?

It is very common that value picks, for a variety of reasons, are perceived in a negative light initially which is why they are undervalued to begin with. But with time, markets discover the true value of the stock and rewards it richly only later.

Means to Identify Value

There are various ways in which a value stock can be identified. It could be with the help of financial metrics such as the Price to Book Value (P/B) or Price to Earnings (P/E) ratio, to name a few. One the stock becomes a part of the portfolio, the waiting begins. The aspect one has to remember while waiting is that markets can remain irrational for long periods of time.

Global studies have shown that famous value investors have underperformed the markets during roughly one-third of their investing career. Just because a fund manager has built a great value portfolio does not mean it will start delivering superb returns right away. Often waiting time leads to temporary under-performance before delivering long-term outperformance.

Why Now

As the market recovered from March lows, it was not quality but value which led the recovery. In the times ahead, there is a good probability that value will make a strong comeback, as quality fatigue sets in. Also, there are several pockets in the markets which even though is expensive in general, provides a good opportunity for investments with its attractive valuations, healthy dividend yield and earnings comfort.

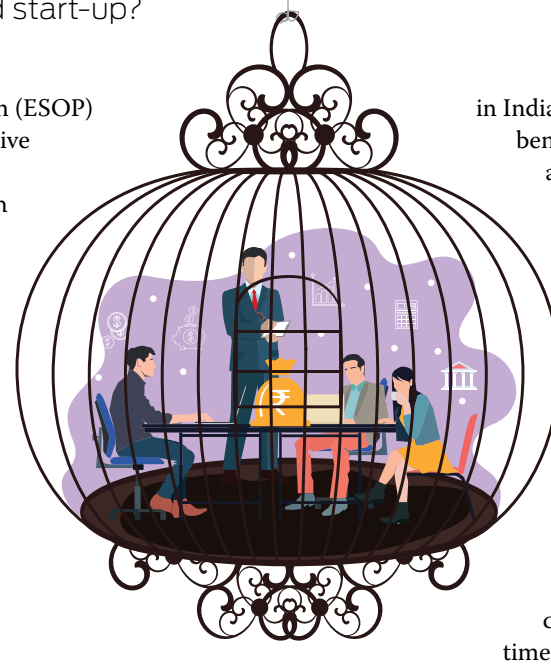
To conclude, being invested in value category of equity funds need patience. At times of a runaway rally there could be short term pain, but the returns generated over long term very well compensates for the test of patience an investor had to endure. ■

(Author is the Founder & CEO, Cyclo Investments)

Challenges In ESOP

What would be your tax liability for employee stock options if you work with an unlisted start-up?

AARTI RAOTE



Employee Stock Option Plan (ESOP) is a commonly used incentive mechanism to reward employees and most popular with start-up / unlisted companies that cannot afford to pay high salaries to attract talent, but are willing to share the future prosperity of the company.

Given the disruption the pandemic has created the priority of most companies is to conserve cash and ensure continuity and one of the alternatives to defer cash payments is ESOP.

Taxation of stock options

ESOPs are taxable on exercise as perquisite in the hands of employees, at the Fair Market Value (FMV) on the date of the exercise. The taxable benefit would be the difference between FMV and the exercise price. In case of listed companies, the value of the shares quoted on the stock exchange is FMV. As the employees do not receive any cash at the time of exercise, employees may choose to sell a part of the shares allotted, to meet the tax obligation.

In case of unlisted companies, including start-ups, as their shares are not marketable, the tax provisions mandate a merchant banker valuation. However in the absence of a ready market to sell shares employees may need to borrow funds to meet this obligation.

To address this challenge, a provision was introduced in 2020 that defers the tax on ESOPs of eligible start-ups. The law allows an employer of an eligible start-up to defer tax deduction on ESOPs for an employee for five years or when the employee leaves the company or when the employee decides to sell the shares, whichever is earliest.

The provision for deferment of tax is available only to shares of eligible start-ups and not to other Indian unlisted companies. The number of eligible start-ups when compared to the total of start-ups and unlisted companies in India, is only a handful and thus the beneficial provision has very limited applicability.

The taxing point can be on sale instead of multiple conditions

Challenges in implementation

It may be noted that employees of eligible start-ups (where stringent conditions are to be met) may still be put at an inconvenience despite the beneficial tax deferment provision on account of various factors:

- The employee may get taxed on higher value on exercise, in case the share price is higher at the time of allotment but dips at the point of tax withholding. In such case, the employee will still have to pay a perquisite tax on a notional gain as against the actual benefit.
- An employee may be forced to sell the shares awarded to him under an ESOP, to pay the taxes if he separates from the company. This will impact employees significantly in case the employment is terminated on account of disability or death.
- The employer would need to track the tax trigger event and keep track of events which trigge tax payment for the employee.
- The employer may qualify as an "eligible startup" at the time of grant of ESOPs but failure to meet any condition at the time of exercise of ESOPs may result in denial of deferment

Recommendations

Given the above challenges and the limited application, it is necessary that beneficial provisions be made more broad based to meet the desired objective of providing relief to employees by extending this provision to all unlisted Indian companies rather than only eligible start-ups. Further, the taxing point can be triggered only on sale rather than having multiple conditions attached which may defeat the purpose of deferment. Extension of deferral to the point of sale for all unlisted shares and taxation only of real gain will be a big relief to employees.

The author is Partner, Deloitte India

Ensuring Financial and Emotional Wellbeing

The third edition of the investor education and awareness series held by **Aditya Birla Sun Life Mutual Fund**, in association with Outlook Money, added new dimensions to financial planning focusing on the journey towards, and inter-relationship between, **"Financial Wellbeing and Emotional Wellbeing"**. Special Correspondent **Vishav** was joined in an insightful discussion by **K.S. Rao,** Head - Investor Education and Distribution Development, Aditya Birla Sun Life AMC Limited, **Amit Trivedi**, Author, Speaker, Trainer, and Blogger with over 26 years in capital markets, and **Dr Kavitha Ranganathan**, Associate Professor in the area of finance and strategy at the T.A. Pai Management Institute (TAPMI).

Rao said that the relationship between financial and emotional wellbeing is especially crucial as they both collectively interact with other three areas — career, social and physical, thereby affecting one's wellbeing holistically. Rao added that financial wellness is a state of healthy living through the active pursuit of financial knowledge, planning and goal setting to live your best life.

The relationship between financial and emotional wellbeing is especially crucial as they both collectively affect other aspects of one's wellbeing

"Financial wellbeing can also be broken into five elements — a clear path to achieve identifiable financial objectives, control of daily finances, ability to cope with financial shock, exercising better financial options in life, and clarity and security for those we leave behind. It's a holistic approach to money and living. It's doing more of what you love and more of what brings joy into your life," he said.

Rao added that one's outlook in life should be positive and in the end, you should be satisfied with the way you managed your money by making better financial choices through knowledge and planning. "When you can manage your money better and you feel better about your finances, you get a sense of security, that will support your psychological, mental and emotional wellbeing," he explained.

Dr Kavitha said that emotions are an integral part of human beings and if they are removed, they would be reduced to a set of rules, logic and probability, which has no passion.

"So emotions give you passion and that passion allows you to act. They are an important part of decision-making process," she said. Dr Kavitha added that economists often differentiates emotional decision-making from rational decision-making perhaps because at one point of time, emotions could not be measured or predicted.

"But a lot of research in the past 20 years has been done on how greed and fear, and investor sentiment in general, rule financial markets. So emotional wellbeing is not separate from financial wellbeing. Unless the investor is emotionally secure and satisfied, he will not be financially satisfied," she added.

Talking about how people who are facing financial instability due to events arising out of the COVID crisis can manage their emotional wellbeing, Trivedi said one should have a strong defence — they should do audit of their emotions and finances.

"Are you spending at the right place? Are you spending the right amount? Or are you a bit reckless? When the COVID crisis struck, those were the people who were spared who had a better defence in terms of their expenses and who were reasonably well. So one should keep an eye on expenses, and keep a contingency fund which can take care of some months' expenses. Second, have some risk cover in terms of insurance. And then, start looking at loans you need to service. And then look at your short term, medium term and long term goals and prioritise them in terms of their importance," Trivedi concluded. ■

To watch the complete interview, visit: https://youtu.be/XJj3WzSNO-o

Insurance Goes Paperless

Video-based tools are providing face-to-face customer interaction for selling insurance policies and claim settlements

By **Nirmala Konjengbam**

The COVID-19 outbreak has not only bruised the economy, but has also changed the business dynamics. However, the insurance industry has smartly adapted to the challenging environment by going paperless, which is reflective in their growth.

It is only natural that life and health insurance products witness a surge in demand during a health crisis. The insurers had to be ready to fulfil all the demands digitally with social distancing. The investments that insurers had made over the years in Artificial Intelligence (AI), digital payments, and sales platforms proved to be vital but potential innovations were introduced to make things function.

One of the first steps towards being digitally-able was to empower the employees.

"The first step was to ensure all our employees are safe and we enabled them to work from home on a short notice. App-based tools for servicing customers, cloud telephony for renewal calling, inbound emails, and video-based servicing were handled by staff, restricted to their homes," recalls Parvez Mulla, Chief Operating Officer, HDFC Life Insurance.

The entire policy-life cycle has been digitised by insurers, including underwriting claims, to ensure customer's support is not hampered.

"Our IVRS facility has been moved to homes of call centre agents so that customer queries can be addressed without delay. Our servicing and underwriting teams are also enabled to work-from-home so that they can continue to do necessary post-sale and underwriting activities," claims Yusuf Pachmariwala, EVP and Head of Operations, Tata AIA Life Insurance.

Reliable digital processes across different value chains of insurance including policy search, issuance and claims have played a big role in the growth of insurance sales. Protection plans grew by 77 per cent in Q1 FY21 over Q1 FY20 for TATA AIA. A similar trend has been witnessed by general insurers too.

"At Bajaj Allianz General Insurance, digital issuance of policies across different distribution models has increased to 85 to 90 per cent, up from 50 to 60 per cent before the pandemic," says Sourabh Chatterjee, President, and Head – IT, Web Sales and Travel, Bajaj Allianz General Insurance.

Human interaction has always played a major role in insurance sales, as it captured the nuances and complexities of customer engagement. However, insurers have now introduced video-based sales tools to provide face-to-face customer experience. One of the biggest gaps in digital selling has been the inability to complete the medical process. That has now been addressed through telemedical procedures, where the diagnosis is done over the phone. More insurers are adopting this medium to expedite and smoothen sales processes along with focusing on paperless procedures.

PARVEZ MULLA

Chief Operating Officer, HDFC Life Insurance

We saw a ten-fold increase in the usage of our mobile app during the lockdown

"Inbuilt digital pre-issuance verification, eKYC via Aadhaar XML, and integration with bank systems for KYC (Know-Your-Customer) has helped us address two major pain points. Also, online validation of PAN and bank accounts, income assessment with the help of credit bureau tie-ups, and tele medicals in place of physical medicals have made the process of buying and selling easy and simple," explains Pachmariwala.

On the services front, insurers have ensured customers are not required to step out of their homes. Chat-bots, mobile apps and email interactions are some digital options available to customers to address their service requests in case call centres are compromised.

"We have 24X7 self-service options for customers and 91 per cent of the chats via our chat-bot are self-service in nature. We have resolved approximately 15 lakh queries. Our robotic process automation handled more than 200

processes remotely. We saw a ten-fold increase in the usage of our mobile app during lockdown," adds Mulla.

The digitisation of value chain and growth in smartphones also played a significant role in expanding the footprint of insurers beyond metro cities. Online issuance and claims would only bridge the gap between insurers and potential customers at places where proper sales support was not available.

"Our online channel showcased positive growth in Q1 FY20. It has been our fastest-growing channel over the past three financial years. More than 50 per cent of our online business comes from non-metros indicating increase in geographical presence," reveals Mulla.

The Insurance Regulatory and Development Authority of India (IRDAI), in its recent circular dated September 18, 2020, allowed insurers to use video-based identification process for KYC norms. This wIll provide a further boost to the industry and online sales.

Vijay Kishore, a media professional based out of Mumbai, bought two

SOURABH CHATTERJEE

President & Head – IT, Web Sales and Travel, Bajaj Allianz General Insurance

At Bajaj Allianz General Insurance, digital issuance of policies has increased to 85-90%

policies since COVID-19 gripped the world. Owing to the restriction, Kishore completed the whole process of buying the policies online. If not for the pandemic, he would want to see more clarity on helpline numbers.

"I bought two insurance policies in the last few months - Kotak e-Term Plan and HDFC Ergo Critical Illness Policy. Both policies were bought online and all the inquiries were made digitally with interactions on email or WhatsApp. The chat-bots were of not much help," admits Kishore.

One of the most critical parts of

YUSUF PACHMARIWALA

EVP and Head of Operations, Tata AIA Life Insurance

Our IVRS facility has been moved to homes of call centre representatives

the insurance value chain - a reason why people buy them. The speed of claim settlement is also extremely important. Insurers have made the whole process online, including settling claims and submitting documents. If more clarity is required then video calls are arranged by insurers, while all the formalities are managed through WhatsApp.

"We recently launched a unique customer-centric initiative - Express Claim - where we process claim pay-outs within four hours of receiving the claim documents. This facility is provided for non-unit-linked and non-early claims," says Pachmariwala.

The push for the digital model has also resulted in a surge in digital payments, a behaviour that many customers have taken time to adopt. "Around 90 per cent of our renewal premium payments are made online or via direct debits for HDFC life," says Mulla.

Industry experts and officials are also of the view that paperless process and digital engagement are here to stay. The customer's response to digital progress has been overwhelming. Insurers are already taking various safeguards to address the cyber-risk of regular digital engagement.

The role of physical agents, however, is not going to be obsolete in the new normal as human interaction adds a new dimension to the whole process. Insurance agents have now taken to technology to adapt to the circumstances and this would further enrich the insurance value chain.

nirmala@outlookindia.com

Sunil Ghai with his family

Do Not Get Affected By Market Noise

Financial advisor will help you formulate suitable strategies based on your financial goals and risk appetite

Sunil Ghai used to be a traditional saver until he met Sandeep Garg, an Independent Financial Advisor (IFA) in early 2014. While Sunil had a regular investible surplus, it found its way into the traditional investment products and insurance policies. As Sandeep helped Sunil frame his investment strategy for long term wealth creation, his first step towards his financial planning was to chalk out an investment plan suiting his financial goals and risk appetite. Since Sunil was familiar with mutual funds through the 'Mutual Fund Sahi Hai' campaign by the Association of Mutual Funds in India (AMFI), convincing him to invest was not a challenge.

Pleasant investment experience is indeed vital, especially for the new retail investors. Initially, in 2014, Sunil had to shift a lump sum from traditional investments to mutual funds. Later, a Systematic Investment Plan (SIP) of ₹20,000 per month was registered to help him continue with his regular investing habits. The positive beginning encouraged him to increase his investment and today his SIP amount is ₹1,00,000 per month.

Extreme market volatility did not affect his persistence and conviction in financial plans. His regular interactions with Sandeep for periodic portfolio review have helped him remain focused on achieving the goals instead of fretting about the intermediate fluctuations in the financial markets.

His trust towards mutual fund investing, further aided by his IFA's guidance, has been instrumental in his family, relatives, and friends. However, there was no single investment strategy that could be adopted by all alike. Sandeep formulated suitable strategies for different people best suiting their financial goals, investment horizon,

Disclaimer

Financial Planning of Sunil Ghai is based on the "personal opinion and experience" of Sandeep Garg an Independent Financial Advisor and that it should not be considered professional financial investment advice. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

Enriched with an investment experience of around six and a half years, Sunil shares his experience and learnings across his investment journey:

- **'One Size fits all' strategy does not work with investments –** Investing is always relative, and there is no existence of 'one size fits all' strategy. While one may not be comfortable with short-term market fluctuations being a conservative investor, another may like to have a higher allocation towards equities due to a longer investment horizon. The role of IFA is indeed important here to formulate a wise investment strategy best suiting different investors.
- **Adopt a systematic investment strategy -** It is often said, 'small drops of water make an ocean.' When one does not have an accumulated corpus to invest a lump sum, one may register an SIP for regular investing in mutual funds. SIP helps the investors to move steadily towards their financial goals, accumulating healthy amounts over a period. Further, the investments were continued to be made over market ups and downs, thereby eliminating greed and fear psychosis from the investment plans.
- **No amount of investment is a small investment–** SIP offers the flexibility to the investors to invest an amount as low as ₹100 per month. Such flexibility helps the investors to conceive their financial plans with sincere intent, even if the amount may not be significant in the beginning. It is always crucial to set the first foot right, which is often the hardest. The investment journey that started with ₹20,000 per month has effortlessly grown to ₹1 lakh per month. Similarly, it was his farsightedness to convince his domestic help and maid to start their respective investment journey and gradually save towards their better financial future.
- **Stay focused on financial goals –** It is essential to stay focused on financial goals, instead of getting affected by the market noise. While equities are inherently volatile, they have greatly rewarded the investors over the long term in the past. This is where the role of financial advisors is tested the most. A periodic review of the investment portfolio also helps the investors to take a stock of their goal achievement objectively. Investors can also take steps towards course correction within the time to achieve the financial goals over the desired time frame.

Varied Investing Strategies For Different Investors

Name	Relation	Investing since	Remarks
Dr. V.K Rampal & Family	Brother in Law & Sister	August 2014	Started with a monthly SIP of ₹5,000. SIP instalment has now grown multifold, as her family has also started investing lumpsum in equity and debt funds
Malvika Kapoor	Family Friend	August 2015	Started with a lump sum investment of ₹20 lakh in a hybrid fund and also investing consistently through SIP
Nidhi Gill	Sister	December 2015	Started with lump sum investment across different schemes and alongside investing regularly through SIP
Sukhmani Gill	Nephew	December 2015	Started with lump sum investments and continuing to invest via SIP
Mandakini Ghai	Daughter	June 2016	Investing through SIP
Niharika Gill	Nephew	March 2018	Started with lump sum investments and continuing to invest via SIP
Veenu Thappa	Domestic help	September 2018	Lump sum investment in a liquid fund and switching investments to equities through STP
Prafula Kujur	House maid	April 2019	Investing through SIP

available investible funds, and risk appetite. While a few opted for lump sum investments, SIP mode found its place in almost all the investment plans. This was considered prudent, as SIPs required investment over time and not in one go and further mitigated the investment risk to some extent by investing across market movements. With a healthy accumulation and growth over the period, Sunil could also persuade his domestic help towards regular investing.

While Sunil could have a pleasant experience aided by a sound investment strategy, one can indeed learn from his experiences and learnings and move towards making the right investment decision.

Sandeep Garg
Independent Financial Advisor

New Normal For Life Insurance

Social distancing norms have prompted the life insurance industry to intensify the process of digitalisation and serve customers better

KSHITIJ JAIN

The year 2020 was touted to be a game-changer. Everyone around the world was excited, from companies planning marketing campaigns, the Instagram influencers and Olympic logo design teams! Indeed, the year has been a turning point, although in an unexpected manner. In my mind, this year shall forever be remembered as the year that propelled the long-awaited acceptance of the digital ecosystem in the country and coined it as the new normal.

The new normal has encompassed all-the young, the old, people across industries, sectors and geographical boundaries. The adoption of digital technology has been varied across different segments of the Indian economy. Now, we see consumer behaviour changing with people eagerly embracing the digital ecosystem – be it for ordering groceries or purchasing insurance online.

Previously considered one of the 'traditional' sectors, life insurance has not only adopted the digital ecosystem but also created a whole new gamut of offerings for customers.

The major challenge is not low awareness but low acceptance levels. As Indians, we do not like to think about our own mortality. Grim as it may sound, the pandemic brought forth the uncertainties of life and increased the sense of insecurity in the minds of people. This has resulted in heightened awareness about the need for insurance products.

The most sought after products are those that offer protection and substantial cover for a nominal price. We observe signs of growth in traditional protection products and this seems to increase each passing day. Customers are also increasingly conscious about retaining their policies in-force and have started to look at it as a functional investment, rather than as a tax-saving tool.

The pandemic has enhanced customer's need for life insurance

Digital Journey

The Indian life insurance sector has successfully reinvented itself and adapted to this digital progression. After a small dip at the beginning, the industry has bounced back in the second quarter. Insurance companies have been quick to adapt/transit to the digital-enabled sales process.

The entire journey of taking a new insurance policy has gone through a sea-change with digital interventions that cover the end-to-end process. Insurers can quickly meet customer requirements and provide them with better service experience, besides making more efficient use of the sales force.

Intermediaries like agents, partners and partner banks have moved on to digital and mobile-enabled platforms for swift onboarding, making the entire online customer experience beneficial and seamless in this era of social distancing.

Insurers are accelerating their digital journey through direct purchase, making it easy for new customers to easily buy products through websites or collaborative portals. Technology has made premium payments, renewals and new purchases into a streamlined process. Use of tools like emails and WhatsApp are routine.

Keeping in mind the current disinclination of customers to go to crowded places, especially hospitals, the underwriting process has been revamped to do away with physical medical examination in some of the cases, substituting it with tele and video medicals. Even claims, maturity and benefit payouts are now being accepted online.

The digital journey may have just begun. Though we are unsure how the pandemic will play out in the future, I think we are on the right path. This is the time for the industry to work together and regard the customers' needs as paramount.

The future of the life insurance sector looks strong and customers should feel reassured in the digital prospects of the 'new normal'.

The author is MD & CEO, Exide Life Insurance

Next In Social Stock Exchange

DR R BALASUBRAMANIAM

Building investor confidence by creating a major shift in social sector project funding

The finance minister announced the setting up of a Social Stock Exchange (SSE) in July 2019 with the expectation of producing a major shift in social sector project funding. A fully functional SSE can prove to be a game changer for the sector, considering the scenario. Companies providing social support in areas like health, education, transport and solar energy can seek listing in this exchange.

Why do we need them? Social Stock Exchanges (SSEs) are trading platforms that allow social businesses raise capital by attracting ethical investors willing to invest in dual corporate and social mission. While several countries have attempted full scale SSEs or equivalents with differential levels of success, the Indian government has asked Securities and Exchange Board of India (Sebi) to prepare the roadmap and set up SSE.

UNDP estimates that India needs $1 trillion per annum to meet the UN Sustainable Development Goals by 2030, and the financial funding gap estimated is $560 billion p.a. Keeping in mind the reduced ability of government to spend on social development in a sluggish economy, it may be imperative to enlist the support of private sector and SSEs could serve as a platform to facilitate their participation.

Existing challenges: Any social trading platform needs a robust demand side ecosystem - the social organisations, a robust supply side ecosystem – the investors, and Infrastructure – the SSE and its intermediaries. Currently India is not fully ready on any of these three key building blocks. Finding the right investment and instrument is a complex task. Indian legal and regulatory frameworks need considerable tweaking as they currently discourage stakeholders from engaging in social financing on one hand, and NGOs from generating profits on the other. As listing of social enterprises will essentially operate at the intersection of finance and philanthropy, the hybridity does present a regulatory challenge and policy makers will have to design a platform that bridges this regulatory gap. No legal definition of a Social Enterprise has been framed under any Indian law.

What needs to be done? Having a definition that includes both 'for-profits' and the 'not-for-profits' and bringing them all under a common law for the purpose of a Social Stock Exchange will be a critical step. Clear processes to identify SEs and distinguish them from conventional businesses operating within ESG (Environmental, Social and Governance) guidelines also need to be put in place. A consistent taxation structure applicable across all organisations will be the next step.

Getting investors interested: The SSE as conceived today in Sebi report assumes that there already exists a critical mass of investors who are open to expanding their investment into what they would typically treat as "non-profit" areas, possibly as an extension of their traditional philanthropic work. This is not true and one needs to fine tune several aspects from the point of view of the Investor universe. The current investment instruments mentioned are fairly complex and difficult for people other than in the financial sector to use. One needs to define who the participants in this universe will be - corporates, HNWIs, philanthropic trusts, venture capitalists or individuals, or even the government. Setting guidelines on what kind of funding approaches will be allowed for investment and disclosure norms and regulations required by the source/ type of funds and the financial instruments which they can participate in, has to be crafted. Clarity in fiscal incentives to the investors in terms of tax breaks apart from other non-monetary incentives has to emerge (status/branding/accreditation/social credits). Investor confidence needs to be created.

All this is hard and long drawn work but if India has to ensure investments on human capital stay a priority in the post COVID era, it needs the various stakeholders - government, investors, businesses, financial intermediaries, regulators, philanthropic organisations, and NGOs to partner, collaborate and co-invest. And this can happen when the SSE becomes a fully functional exchange.

The author is a development activist and Chairman, Grassroots Research & Advocacy Movement (GRAAM)

Overcome Stress In Uncertain Times

A disciplined yoga routine can help manage anxiety and depression

By **Swami Mukundananda**

The uncertainty of today's global economy and environment has many of us feeling overwhelmed, anxious, and stressed. Managing our home, work, and finances has become challenging and even draining. Part of the problem lies in our inability to deal with situations that we feel are beyond our capacity. But if we adopt healthy coping mechanisms and empowering mindsets, we can easily navigate through difficult times. Since our body and mind are intricately connected, anxiety is best dealt with in a holistic manner, where we address all our faculties.

Yoga: The word "Yoga" means "to unite." It is a process that brings into light all the aspects of an individual — physical, mental, emotional, and spiritual. The sincere and regular practice of Yoga offers many benefits to the body, mind, and soul.

Asanas: or postures, are one of the arms of yogic science. They enhance the flow of vital energy and blood to all the cells, tissues, organs and joints in the body. While a yogic practice should include a variety of postures, some asanas that are helpful for anxiety include Surya Namaskar (sun salutation), Shashankasana (moon pose), Bhujangasana (cobra pose), and Shavasana (corpse pose). Their efficacy is enhanced by complementing them with simple deep breathing techniques, known as pranayama, which also helps in reducing the body's stress response.

Pranayama: Prana is the life force energy within our body that is essential for its functioning and vitality, and is heavily regulated by our breath. Feeling of stress, fear, and anxiety can induce shallow and erratic breathing patterns, which can block the free flow of prana in the body, affecting both our physical and mental health.

Hence, our breath has great recuperative powers – if we alter our breath, we can alter our state of mind. When we engage in slow, deep, and regulated breathing, it engages our parasympathetic nervous system, which induces a relaxation response in the body, giving us the feeling of emotional wellbeing. Pranayam is proven to support multiple aspects of physical health, such as lung function, blood pressure, and brain function. Some simple pranayams that one could benefit from are, Anulom Vilom (alternate nostril breathing), Bhramari (bee breath), and Ujjayi (victorious breath).

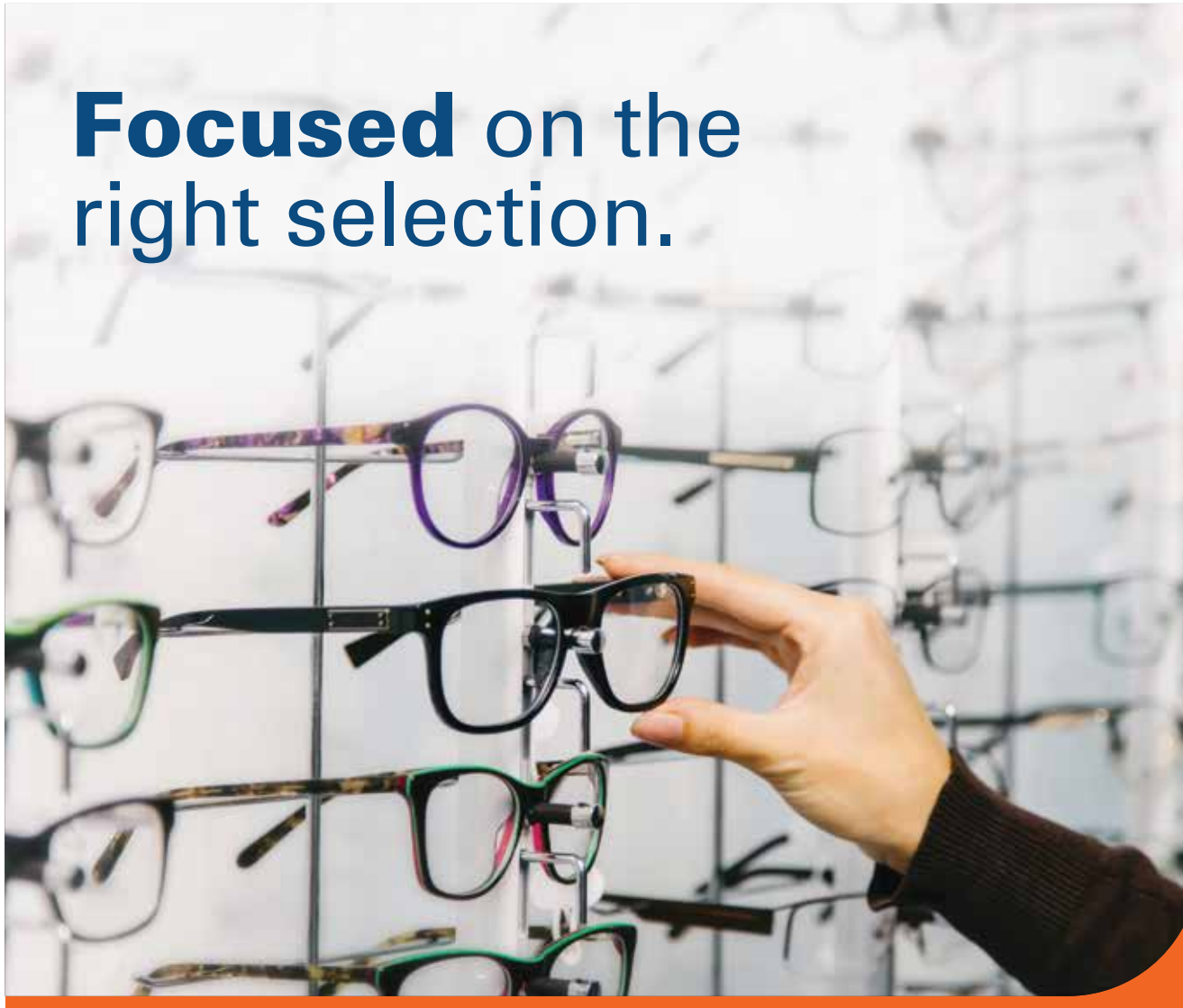
Meditation: The practice of meditation or dhyan, is an established ancient Indian technique dating back thousands of years. In a spiritual context, its goal is self-awareness and enlightenment. In a non-spiritual context, it is commonly used for stress management, relaxation, increasing focus, and enhancing overall wellbeing.

Its practice can naturally produce a deep state of relaxation and center us when we are thrown off by emotional stress. Meditation works at many levels. While meditating, we force the scattered mind to rest on a single point or the object of mediation. This decreases the stream of stress-provoking thoughts that crowd our mind. By engaging in its daily practice, we not only feel positive and more tranquil, but we also build the muscle of willpower and develop greater emotional stability. Twenty minutes of secluded meditational practice is a great way to reduce anxiety. Change your attitude towards stressful situations. "Your attitude towards problems, difficulties, and adversities is the most important factor in overcoming them." said Napoleon Hill. No doubt, problems are an inevitable part of life, but how well we negotiate them is largely dependent on our attitude.

Successful people face their share of hardships but because they know how to use them as opportunities for growth and learning, they do not succumb to failure. The enlightened perspective is to see life as an evolutionary journey where we are building our inner assets and overcoming our deficiencies.

The author is a renowned teacher of spirituality, yoga/ meditation, and expert in mind management

Focused on the right selection.



ICICI Prudential

Focused Equity Fund

ICICI PRUDENTIAL MUTUAL FUND

TARAKKI KAREIN!

To invest, consult your Financial Advisor

Download IPRUTOUCH App

Visit **www.iciciprumf.com**

ICICI Prudential Focused Equity Fund (An open ended equity scheme investing in maximum 30 stocks across market capitalisation i.e. focus on multicap) is suitable for investor who are seeking*:	RISKOMETER
• Long term wealth creation • An open ended equity scheme investing in maximum 30 stocks across market-capitalisation	Low, Moderately Low, Moderate, Moderately High, High Investors understand that their principal will be at moderately high risk
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

RNI NO. DELENG/2002/08292

MUTUAL FUNDS Sahi Hai

An investor education initiative by

LIC MUTUAL FUND

3 Daily Good Habits

Drinking eight glasses of water

Exercising

Reading the newspaper

Cultivate another. Invest through

DAILY SIP

(Systematic Investment Plan)

Start investing early, regularly and stay invested.

Mutual funds offer you the convenience of the Systematic Investment Plan(SIP).

It's the affordable way to create wealth over the long term.

*Daily SIP is available in select schemes only.

"Visit here https://licmf.info/KYCredressal to learn more about KYC requirements, SEBI Registered Mutual Funds and Grievance redressal."

Connect with us: /LICMutual /LICMutual /company/LICMutual 1800-258-5678 www.licmf.com

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.